You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a strategy-driven, multi-brand cosmetics company in China. Since our inception in 2001, we have adeptly seized the opportunities arising from the expansion of China's cosmetics industry by accurately predicting and addressing the growing beauty demand of consumers. Dedicated to consumer-focused R&D and product development, we strive to meet the evolving preferences of consumers. We insist on in-house R&D and production and have developed a diverse portfolio of brands and products that integrate our core ingredients with oriental aesthetics. Through the adoption of a digitalized operation model, we manage to achieve a comprehensive deployment of online and offline sales channels. Our persistence and efforts ensure that we deliver products with value for money for our consumers.

To seize the expanding market opportunities, we have adopted a multi-brand strategy. We have developed a diversified brand portfolio comprising five major brands, including CHANDO as our flagship brand, along with Biorrier (珀芙研), MAYSU (美素), Spring Summer (春夏) and imine (己出), offering a comprehensive product portfolio encompassing skincare, color cosmetics, personal care, men's care and child and infant care. Our comprehensive product offerings are designed to address a wide spectrum of skincare needs from hydration and whitening to repair, anti-wrinkle, oil control, acne treatment, sensitive skincare and anti-aging, complemented by a range of personal care and color cosmetics products to meet the diverse needs of consumers. During the Track Record Period, our profit increased from RMB301.9 million in 2023 to RMB350.8 million in 2025. During the Track Record Period, our adjusted net profit (non-IFRS measure) increased from RMB312.5 million in 2023 to RMB412.6 million in 2025. See "— Non-IFRS Measures."

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards issued by International Accounting Standards Board ("IFRS Accounting Standards").

The Historical Financial Information have been prepared under the historical cost convention, except that the revaluation of financial liabilities at fair value through profit are measured at fair value.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires our management to exercise their judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 to the Accountant's Report included in Appendix I to this document.

In preparing the Historical Financial Information, we have consistently adopted all standards and amendments that were effective for accounting periods beginning or before January 1, 2025, to our Historical Financial Information throughout the Track Record Period.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial position have been, and are expected to be, continually and materially affected by a number of key factors, some of which are outside of our control, including, without limitation, the following:

Macro Economy Environment and Development of the Cosmetics Industry in China

Our business, financial condition and results of operations are impacted by general factors affecting the cosmetics industry in China, such as per capita disposable income, the growth of e-commerce, the emergence of domestic cosmetics brands, regulatory support and others. According to Frost & Sullivan, generally there is a positive correlation between per capita disposable income, which represents consumer purchasing power, and per capita expenditure on cosmetic products. According to Frost & Sullivan, the per capita disposable income in China increased from RMB30.7 thousand to RMB41.3 thousand at a CAGR of 6.1% from 2019 to 2024, and is expected to further increase to RMB52.4 thousand in 2029 at a CAGR of 4.8% from 2025. According to the same source, the per capita expenditure on cosmetics in China increased from RMB553 to RMB664 at a CAGR of 3.7% from 2019 to 2024, and is expected to further increase to RMB916 in 2029 at a CAGR of 7.6% from 2025. The expanding purchasing power of Chinese consumers has been a driving force behind the sales growth of our products throughout the Track Record Period.

According to Frost & Sullivan, the cosmetics market in China showed steady growth. The market size of the cosmetics industry in China by retail sales increased from RMB779.4 billion in 2019 to RMB934.6 billion in 2024 at a CAGR of 3.7%, and is projected to continue to grow at a CAGR of 7.5% from 2025 to 2029, reaching RMB1,287.9 billion in 2029. The market size of the domestic cosmetics brand industry in China by retail sales increased from RMB350.2 billion in 2019 to RMB466.4 billion in 2024, representing a CAGR of 5.9% that outperformed the international cosmetics brand industry. This market is expected to continue growing at a CAGR of 8.9% from 2025 to 2029, reaching RMB681.3 billion in 2029 that captures a market share that surpasses international cosmetics brands. According to the same source, we were China's third-largest domestic cosmetics group by retail sales in 2024, enabling us to be well positioned to capture the market's growth.

Expanding and Diversified Product and Brand Portfolio Empowered by R&D Capabilities

Centering around consumer needs, we have developed a diverse product portfolio comprehensively covering skincare, color cosmetics, personal care, men's care and child and infant care. As of the Latest Practicable Date, we had five major cosmetics brands, including our flagship brand CHANDO, as well as Biorrier, MAYSU, Spring Summer and imine. Each of our brands possesses a distinct identity and value proposition that resonates with the diverse needs of our consumers, while sharing our overarching promise of efficacy and quality. To establish a diversified product and brand portfolio, we have committed significant resources to the development of technologies and core ingredients. During the Track Record Period, our cumulative research and development expenses for the three years ended December 31, 2025 amounted to RMB291.3 million. Our R&D capabilities have enabled us to maintain a dynamic portfolio of brands and products through consistent innovation. In addition, we have forged strong partnerships with esteemed universities, research institutes and medical facilities to enhance our R&D capabilities. Leveraging our R&D expertise, we are committed to continuously adapting to changing trends in the industry to meet the evolving needs of consumers through diversified product and brand portfolios, which is critical to our steady performance and future growth.

Expanding and Maintaining Our Sales Network

We sell our products through our integrated online and offline sales network, allowing us to effectively reach a broad consumer base. As of the Latest Practicable Date, our online channels encompassed online directly-operated stores and sales to online retailers, and our offline channels mainly included sales to distributors and offline retailers. We have also opened our first CHANDO offline flagship store in Shenzhen in July 2025. Our competitive strengths in online and offline channels are crucial to our financial performance.

We have established a comprehensive online sales network covering all major online channels. Under the online directly-operated store model, we sell our products to end-customers through our directly-operated stores on third-party e-commerce platforms such as Tmall, Douyin, JD.com, Pinduoduo, Kuaishou, Xiaohongshu, Vipshop, Meituan, Dewu and Weixin video channels. We also cooperate with selected online retailers to expand our online sales coverage, primarily including Vipshop, JD.com's self-operated stores and merchants on other e-commerce platforms, who in turn sell these products to end-customers. In 2023, 2024 and 2025, our revenue generated from online channels amounted to RMB2,748.8 million, RMB3,162.2 million and RMB3,695.5 million, respectively, accounting for 61.9%, 68.8% and 69.5% of our total revenue in each respective period.

For offline sales network, consistent with industry practice, we cooperate with a number of distributors that sell our products to cosmetics stores, department stores, shopping centers, supermarkets, convenience stores, lifestyle stores and pharmacies and we also cooperate with a few distributors that sell our products to online stores. In addition to distributorship, we also cooperated with selected offline retailers, which in turn sell our products to end-customers. In 2023, 2024 and 2025, our revenue generated from offline channels amounted to RMB1,683.0 million, RMB1,421.8 million and RMB1,606.0 million, respectively, accounting for 37.9%, 30.8% and 30.2% of our total revenue in each respective period.

By leveraging both online and offline sales channels, we have engaged a diverse customer base, ensuring wide accessibility of our products. We have also adapted to the fast evolution of sales channels and adjusted our sales strategies accordingly. Going forward, we will continue to explore new sales channels to adapt to evolving market trends and consumer behaviors, which will serve as drivers for our future growth.

Our Ability to Effectively Conduct Marketing and Branding Activities

The effectiveness of our marketing and branding activities is critical to our financial performance. Through an integrated strategy encompassing commercial advertising, online marketing and offline marketing, complemented by our membership system and the engagement of brand ambassadors, we have cultivated a loyal customer base and significantly enhanced brand recognition across sales channels. Our commercial advertising strategies are tailored to create a deep connection with our consumers through a diverse mix of channels. Through our in-house KOL team, as well as official accounts on major media platforms and e-commerce platforms, we regularly engage directly with consumers, post about our brands and products, share beauty tips, engage with our consumers and answer their inquiries. Meanwhile, our offline marketing focuses on hosting in-store promotional events for new products and private beauty workshops for invited consumers to provide immersive brand experiences. Benefiting from our effective marketing strategies, our membership community comprised over 42.5 million registered members as of December 31, 2025. See "Business — Marketing and Branding."

Our spending on sales and marketing activities has affected and is expected to continue affecting our financial performance. Our selling and marketing costs were RMB2,406.0 million, RMB2,716.6 million and RMB3,044.4 million in 2023, 2024 and 2025, respectively. As we expand our business, we expect to continually launch tailored marketing activities. We seek to adopt various measures to conduct marketing activities more efficiently and effectively. Our capability to undertake cost-effective branding and marketing activities is crucial for our operational efficiency and financial performance.

Supply Chain Management and Quality Control Capabilities

We have instituted a digitalized supply chain system that supports end-to-end supply chain planning from demand forecasting and production to warehousing and logistics. Launched in July 2021, the CMMS represents a milestone in our digitalization efforts over the years, transforming our approach to product development, production and sales. Facilitated by our CMMS, we are able to have an oversight of order flows of registered distributors in real time, mitigating risks associated with oversupply, channel stuffing and unauthorized distribution. We aim to further enhance our supply chain management capabilities to improve our operational and management efficiencies, and ultimately improve our financial performance.

During the Track Record Period, we primarily relied on in-house production for our products to maintain the consistent high quality of our products. We have also established a rigorous quality control system in order to satisfy consumer needs and optimize our offerings. Our dedication to product quality is expected to drive sales growth and expand our market share.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements requires us to apply accounting policies set forth in Notes 2 and 4 to the Accountant's Report in Appendix I to this document that involve the use of estimates, assumptions and management judgments, some of which are inherently subjective and may involve complex assessments. For details, see Notes 2 and 4 to the Accountant's Report included in Appendix I to this document. We continually review and update such estimates, assumptions and judgments based on the most recently available information, our historical experience and other factors that we believe to be relevant under the circumstances. Our management has discussed the development, selection and disclosure of these estimates with our Board of Directors. These estimates, assumptions and judgments have a significant impact on our reported financial position and results of operations, and actual outcomes may differ from those estimates under different assumptions or conditions. When reviewing our financial statements, you should consider (i) our selection of material accounting policies, (ii) the judgments and uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in underlying assumptions and conditions. Our material accounting policies and critical accounting estimates, which are important for understanding our financial condition and results, are set forth in Notes 2 and 4 to the Accountant's Report included in Appendix I to this document. These include policies and estimates relating to revenue recognition, property, plant and equipment, impairment of receivables, inventories, impairment of inventories to net realizable value, current and deferred income tax, government grants, provisions and contingencies and convertible preferred shares.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the periods indicated:

	Year ended December 31,					
	2023		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	4,441,767	100.0	4,600,664	100.0	5,318,273	100.0
Cost of sales	(1,429,378)	(32.2)	(1,405,705)	(30.6)	(1,561,128)	(29.4)
Gross profit	**3,012,389**	**67.8**	**3,194,959**	**69.4**	**3,757,145**	**70.6**
Selling and marketing costs	(2,406,023)	(54.2)	(2,716,641)	(59.0)	(3,044,410)	(57.2)
Administrative expenses	(200,366)	(4.5)	(209,777)	(4.6)	(245,142)	(4.6)
Research and development expenses	(93,822)	(2.1)	(91,212)	(2.0)	(106,238)	(2.0)
Other income	35,724	0.8	20,180	0.4	69,809	1.3
Other gains - net	11,579	0.3	5,704	0.1	898	0.0

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Fair value losses of financial liabilities at fair value through profit or loss	–	–	(1,120)	(0.0)	(30,190)	(0.6)
Reversal/(provision) of impairment losses on financial assets	3,253	0.1	2,810	0.1	(4,487)	(0.1)
Operating profit	**362,734**	**8.2**	**204,903**	**4.5**	**397,385**	**7.5**
Finance income	16,638	0.4	11,863	0.3	18,391	0.3
Finance costs	(7,514)	(0.2)	(5,880)	(0.1)	(4,484)	(0.1)
Finance income – net	9,124	0.2	5,983	0.1	13,907	0.3
Share of results of associates	(2,526)	(0.1)	–	–	(51)	0.0
Profit before income tax	**369,332**	**8.3**	**210,886**	**4.6**	**411,241**	**7.7**
Income tax expense	(67,388)	(1.5)	(21,065)	(0.5)	(60,461)	(1.1)
Profit for the year	**301,944**	**6.8**	**189,821**	**4.1**	**350,780**	**6.6**
Attributable to:						
Equity holders of the Company	302,822	6.8	190,097	4.1	350,820	6.6
Non-controlling interests	(878)	(0.0)	(276)	0.0	(40)	0.0

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS Accounting Standards. We believe such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures have limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards. We define adjusted net profit (non-IFRS measure) as profit for the year adjusted by adding back [**REDACTED**], fair value losses of financial liabilities at fair value through profit or loss and share-based compensation, and adjusted net profit margin (non-IFRS measure) as adjusted net profit (non-IFRS measure) for the year divided by revenue for the year and multiplied by 100%. We exclude such items in adjusted net profit (non-IFRS measure) primarily because (i) [**REDACTED**] are expenses related to the [**REDACTED**], (ii) fair value losses of financial liabilities at fair value through profit or loss represent changes in the fair value of the convertible preferred shares issued by us and relate to changes in our valuation, and (iii) share-based compensation represents the non-cash employee benefit expenses incurred in connection with our award to management and key employees. The adjustments have been consistently made during the Track Record Period.

The following table reconciles our adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) for the years presented in accordance with IFRS Accounting Standards, which is profit for the year:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	301,944	189,821	350,780
Add:			
[REDACTED][1]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value losses of financial liabilities at fair value through profit or loss[2]	–	1,120	30,190
Share-based compensation[3]	–	–	16,176
Adjusted net profit (non-IFRS measure)	**312,548**	**203,404**	**412,637**
Adjusted net profit margin (%) (non-IFRS measure)	**7.0**	**4.4**	**7.8**

Note:

(1) [**REDACTED**] represent professional fees and other fees incurred in connection with the [**REDACTED**].

(2) Fair value losses of financial liabilities at fair value through profit or loss represent changes in the fair value of the convertible preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further changes in fair value of our convertible preferred shares after the [**REDACTED**] as such convertible preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**], which is expected to turn our net liabilities position into net assets position following the [**REDACTED**]. The reconciling item is non-cash and does not result in cash outflow.

(3) Share-based compensation represents the non-cash employee benefit expenses incurred in connection with our award to management and key employees. Such expenses in any specific year are not expected to result in future cash payments.

Revenue

During the Track Record Period, our revenue amounted to RMB4,441.8 million, RMB4,600.7 million and RMB5,318.3 million in 2023, 2024 and 2025, respectively.

Revenue by brand

During the Track Record Period, our revenue was primarily derived from our flagship brand CHANDO, which amounted to RMB4,260.6 million, RMB4,389.7 million and RMB5,070.4 million in 2023, 2024 and 2025, respectively, representing 95.9%, 95.4% and 95.3% of our total revenue over the same periods. During the Track Record Period, we also generated revenue from other brands, which amounted to RMB171.2 million, RMB194.2 million and RMB231.1 million in 2023, 2024 and 2025, respectively, representing 3.9%, 4.2% and 4.4% of our total revenue over the same periods. The following table sets forth a breakdown of revenue by brand for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
CHANDO	4,260,593	95.9	4,389,739	95.4	5,070,410	95.3
Other brands[1]	171,177	3.9	194,220	4.2	231,065	4.4
Others[2]	9,997	0.2	16,705	0.4	16,798	0.3
Total	**4,441,767**	**100.0**	**4,600,664**	**100.0**	**5,318,273**	**100.0**

Notes:

(1) Other brands primarily consisted of Biorrier, MAYSU, Spring Summer and imine.

(2) Others primarily refer to the revenue generated from services fees charged to certain distributors regarding our provision of counters to support their business operations.

Revenue by product category

We have developed a diverse product portfolio that comprehensively encompasses skincare, color cosmetics, personal care, men's care and child and infant care to address a spectrum of consumer needs.

The following table sets forth our revenue breakdown by product category for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Skincare	3,892,291	87.6	4,028,683	87.6	4,573,132	86.0
Color cosmetics	188,508	4.2	179,390	3.9	208,959	3.9
Personal care	149,975	3.4	172,630	3.8	339,833	6.4
Other product categories[1]	200,996	4.6	203,256	4.3	179,551	3.4
Others[2]	9,997	0.2	16,705	0.4	16,798	0.3
Total	**4,441,767**	**100.0**	**4,600,664**	**100.0**	**5,318,273**	**100.0**

Notes:

(1) Other product categories primarily consisted of men's care, and child and infant care products.

(2) Others primarily refer to the revenue generated from the services fees charged to certain distributors regarding our provision of counters to support their business operations.

The continuous growth in our revenue throughout the Track Record Period was primarily driven by (i) an increase in revenue from sales of skincare products, which benefited from increased sales volume, relatively stable unit price and the introduction of new SKUs, and (ii) an increase in revenue from sales of personal care products, driven by strong product competitiveness, brand strength and effective marketing strategies.

Revenue by sales channel

The following table sets forth our revenue breakdown by sales channel for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Online channels	**2,748,762**	**61.9**	**3,162,184**	**68.8**	**3,695,464**	**69.5**
Online directly-operated stores	1,956,740	44.1	2,436,363	53.0	3,002,612	56.5
Online retailers	792,022	17.8	725,821	15.8	692,852	13.0
Offline channels	**1,683,008**	**37.9**	**1,421,775**	**30.8**	**1,606,011**	**30.2**
Distributors	1,287,093	29.0	939,068	20.4	871,546	16.4
Offline retailers	370,402	8.3	464,221	10.1	716,234	13.5
Other offline sales[1]	25,513	0.6	18,486	0.3	18,231	0.3
Others[2]	**9,997**	**0.2**	**16,705**	**0.4**	**16,798**	**0.3**
Total	**4,441,767**	**100.0**	**4,600,664**	**100.0**	**5,318,273**	**100.0**

Notes:

(1) Other offline sales primarily consisted of revenue generated from our offline self-operated stores and counters, and one-off transactions with corporate clients.

(2) Others primarily refer to the revenue generated from services fees charged to certain distributors regarding our provision of counters to support their business operations.

During the Track Record Period, the contribution of revenue from our offline channels declined while the contribution of revenue from our online channels consistently increased. This was primarily because in recent years, with the rapid development of e-commerce, the proportion of sales through online channels in cosmetics industry in China has been steadily rising, resulting in a gradual decline in foot traffic for offline channels, particularly traditional distributor channels.

Despite the above trend, we still plan to strengthen the market presence of our existing brands and products by establishing new offline retail sales points and flagship stores. See "Business — Our Strategies — Optimizing Our Sales Network with a Strategic Emphasis on DTC Capabilities" and "Future Plans and Use of [**REDACTED**]." We are of the view that, following the rapid development of online channels, offline channels have demonstrated renewed vitality and commercial opportunities. In response, we have implemented a business strategy focused on balanced development across all channels, emphasizing the synergy between online and offline operations. On the one hand, we adopt differentiated marketing strategies tailored to the specific characteristics of each online platform, leveraging brand ambassadors, KOLs and KOCs to enhance brand visibility and consumer engagement in a cost-effective manner. On the other hand, we are actively expanding into emerging chain retail formats, having identified significant potential in these new retail models compared to traditional distributor channels. Focusing on these innovative retail formats will be central to our strategy for expanding our offline network. To further enhance our brand image, we plan to establish new offline retail points and flagship stores. These flagship stores will serve as experiential centers, allowing customers to engage directly with our products and brand values. By providing an immersive shopping experience, our offline flagship stores will not only showcase our latest offerings but also reinforce customer loyalty and trust. This will enable our products to reach a broader consumer base and significantly elevate our brand reputation.

Cost of Sales

Our cost of sales mainly consisted of (i) raw materials, consumables, finished goods and work in progress used, (ii) warehousing and logistics expenses, (iii) labor costs, and (iv) others. In 2023, 2024 and 2025, our cost of sales amounted to RMB1,429.4 million, RMB1,405.7 million and RMB1,561.1 million, respectively. The following table sets forth a breakdown of our cost of sales in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials, consumables, finished goods and work in progress used	1,118,175	78.2	1,043,371	74.2	1,159,804	74.3
– Ingredients	548,202	38.4	481,795	34.3	523,708	33.5
– Packaging materials	569,973	39.9	561,576	39.9	636,096	40.8
Warehousing and logistics expenses[(1)]	107,537	7.5	125,123	8.9	145,704	9.3
Labor costs	122,299	8.6	124,252	8.8	137,277	8.8
Others[(2)]	81,367	5.7	112,959	8.1	118,343	7.6
Total	**1,429,378**	**100.0**	**1,405,705**	**100.0**	**1,561,128**	**100.0**

Notes:

(1) Warehousing and logistics expenses primarily consisted of warehouse operation costs and logistics costs for product delivery to end-customers.

(2) Others primarily consisted of stamp duty and other taxes, depreciation and amortization, utilities, office and meeting expenses, loss allowance on inventories and processing service fees paid to OEM suppliers.

To maximize production efficiency and expand our production portfolio, we selectively engaged reliable OEM suppliers, mainly for the production of certain raw materials, product sets and product packages. For OEM suppliers, we only paid processing service fees and did not incur fees in relation to the raw materials, consumables, finished goods and work in progress used as the raw materials and packaging materials used in OEM production were provided by us. We also cooperated with selected ODM suppliers, mainly for the production of facial masks and certain pen-type color cosmetics products. For ODM suppliers, we purchased finished products directly from them, therefore the fees paid to ODM suppliers are included in the raw materials, consumables, finished goods and work in progress used. See "Business — Production." Our raw materials, consumables, finished goods and work in progress used decreased by 6.7% from RMB1,118.2 million in 2023 to RMB1,043.4 million in 2024, primarily due to the decrease in ingredients mainly driven by our cost management measures, such as introducing new suppliers and optimizing procurement strategies. Our raw materials, consumables, finished goods and work in progress used increased by 11.2% from RMB1,043.4 million in 2024 to RMB1,159.8 million in 2025, primarily due to the increases in ingredients and packaging materials in line with our business growth.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. In 2023, 2024 and 2025, our gross profit amounted to RMB3,012.4 million, RMB3,195.0 million and RMB3,757.1 million, respectively. In 2023, 2024 and 2025, our gross profit margin was 67.8%, 69.4% and 70.6% respectively.

Gross profit and gross profit margin by brand

The following table sets forth a breakdown of gross profit and gross profit margin by brand for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
CHANDO	2,900,394	68.1	3,051,777	69.5	3,588,118	70.8
Other brands[1]	110,541	64.6	136,211	70.1	162,063	70.1
Others[2]	1,454	14.5	6,971	41.7	6,964	41.5
Total	**3,012,389**	**67.8**	**3,194,959**	**69.4**	**3,757,145**	**70.6**

Notes:

(1) Other brands primarily consisted of Biorrier, MAYSU, Spring Summer and imine.

(2) Others primarily refer to the gross profit generated from services fees charged to certain distributors regarding our provision of counters to support their business operations.

Gross profit and gross profit margin by product category

The following table sets forth a breakdown of gross profit and gross profit margin by product category for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Skincare	2,660,600	68.4	2,830,099	70.2	3,282,135	71.8
Color cosmetics	125,805	66.7	121,491	67.7	146,774	70.2
Personal care	82,046	54.7	92,795	53.8	197,223	58.0
Other product categories[1]	142,484	70.9	143,603	70.7	124,049	69.1
Others[2]	1,454	14.5	6,971	41.7	6,964	41.5
Total	**3,012,389**	**67.8**	**3,194,959**	**69.4**	**3,757,145**	**70.6**

Notes:

(1) Other product categories primarily consisted of men's care, and child and infant care products.

(2) Others primarily refer to the gross profit generated from services fees charged to certain distributors regarding our provision of counters to support their business operations.

Gross profit and gross profit margin by sales channel

The following table sets forth a breakdown of gross profit and gross profit margin by sales channel for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Online channels	**2,024,021**	**73.6**	**2,329,922**	**73.7**	**2,792,374**	**75.6**
Online directly-operated stores	1,465,451	74.9	1,823,466	74.8	2,305,695	76.8
Online retailers	558,570	70.5	506,456	69.8	486,679	70.2
Offline channels	**986,914**	**58.6**	**858,066**	**60.4**	**957,807**	**59.6**
Distributors	717,088	55.7	529,864	56.4	478,277	54.9
Offline retailers	268,436	72.5	324,977	70.0	477,468	66.7
Other offline sales[1]	1,390	5.4	3,225	17.4	2,062	11.3
Others[2]	**1,454**	**14.5**	**6,971**	**41.7**	**6,964**	**41.5**
Total	**3,012,389**	**67.8**	**3,194,959**	**69.4**	**3,757,145**	**70.6**

Notes:

(1) Other offline sales primarily consisted of gross profit generated from our offline self-operated stores and counters, and one-off transactions with corporate clients.

(2) Others primarily refer to the gross profit generated from services fees charged to certain distributors regarding our provision of counters to support their business operations.

During the Track Record Period, the gross profit margins of our online channels were relatively higher than those of our offline channels, primarily due to their different business models and cost structures, as offline channels generally require the involvement of distributors and retailers, whereas online channels enable direct access to end-users.

Selling and Marketing Costs

Our selling and marketing costs consisted of (i) marketing and promotion expenses, (ii) labor costs, (iii) distribution costs, (iv) travelling expenses, (v) depreciation and amortization, (vi) share-based compensation and (vii) others. In 2023, 2024 and 2025, our selling and marketing costs amounted to RMB2,406.0 million, RMB2,716.6 million and RMB3,044.4 million, respectively. The following table sets forth a breakdown of our selling and marketing costs by nature for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Marketing and promotion expenses	1,719,657	71.5	2,059,363	75.8	2,381,042	78.2
– Advertising expenses	1,161,770	48.3	1,434,733	52.8	1,664,120	54.7
– Channel development and expansion expenses	432,607	18.0	532,023	19.6	597,801	19.6
– Other marketing and promotion expenses	125,280	5.2	92,607	3.4	119,121	3.9
Labor costs	472,178	19.6	462,437	17.0	474,968	15.6
Distribution costs[1]	96,821	4.0	75,961	2.8	74,105	2.4
Travelling expenses	27,685	1.2	31,693	1.2	32,567	1.1

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Depreciation and amortization	32,953	1.4	29,435	1.1	23,621	0.8
Share-based compensation	–	–	–	–	2,545	0.1
Others[2]	56,729	2.3	57,752	2.1	55,562	1.8
Total	**2,406,023**	**100.0**	**2,716,641**	**100.0**	**3,044,410**	**100.0**

Notes:

(1) Distribution costs primarily refer to the expenses related to the logistics costs of distributing products between different warehouses.

(2) Others mainly include packaging material costs, utilities, office and meeting expenses and information system maintenance costs.

Administrative Expenses

Our administrative expenses consisted of (i) labor costs, (ii) depreciation and amortization, (iii) information system maintenance costs, (iv) [**REDACTED**], (v) utilities, office and meeting expenses, (vi) travelling expenses, (vii) share-based compensation, and (viii) others. In 2023, 2024 and 2025, our administrative expenses amounted to RMB200.4 million, RMB209.8 million and RMB245.1 million, respectively. The following table sets forth a breakdown of our administrative expenses by nature for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Labor costs	107,650	53.7	104,605	49.9	121,936	49.7
Depreciation and amortization	45,840	22.9	46,647	22.2	46,747	19.1
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Information system maintenance costs	7,123	3.6	16,372	7.8	15,245	6.2
Share-based compensation	–	–	–	–	12,461	5.1
Utilities, office and meeting expenses	11,965	6.0	13,677	6.5	8,966	3.7
Travelling expenses	5,782	2.9	4,037	1.9	4,475	1.8
Others[1]	11,402	5.6	11,976	5.8	19,821	8.1
Total	**200,366**	**100.0**	**209,777**	**100.0**	**245,142**	**100.0**

Note:

(1) Others mainly include professional fees.

Research and Development Expenses

Our research and development expenses consisted of (i) raw materials and consumables used, (ii) labor costs, (iii) testing and inspection fees, (iv) depreciation and amortization, (v) share-based compensation and (vi) others. In 2023, 2024 and 2025, our research and development expenses amounted to RMB93.8 million, RMB91.2 million and RMB106.2 million, respectively.

Other Income

Our other income consisted of (i) government grants, which mainly represented financial assistance in relation to our contribution to the local economy and our research and development activities, subsidies granted by local governments for the purpose of encouraging business development, additional input VAT credit for VAT and surcharges granted for high and new technology enterprises, (ii) rental income, which mainly represented income generated from leasing certain spaces within our production plant and warehouses, and (iii) interest income from finance lease receivables, which mainly represented amortization of finance lease receivables associated with social security housing for talents for our eligible employees. In 2023, 2024 and 2025, our other income amounted to RMB35.7 million, RMB20.2 million and RMB69.8 million, respectively. The following table sets out a breakdown of our other income for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	26,984	11,868	61,384
Rental income	6,537	6,092	6,010
Interest income from finance lease receivables	2,203	2,220	2,415
Total	**35,724**	**20,180**	**69,809**

Other Gains — Net

Our other gains, net consisted of (i) gains/(losses) on disposal of property, plant and equipment and intangible assets primarily including computers, machinery and equipment and (ii) compensations, which mainly represented compensation from a third-party logistics service provider related to cargo damage. In 2023, 2024 and 2025, our other gains amounted to RMB11.6 million, RMB5.7 million and RMB0.9 million, respectively.

Reversal/(provision) of Impairment Losses on Financial Assets

Our reversal of impairment losses on financial assets mainly represented reversal of credit losses on trade receivables and other receivables. We recorded reversal of impairment losses on financial assets of RMB3.3 million, RMB2.8 million and we recorded provision of impairment losses on financial assets of RMB4.5 million in 2023, 2024 and 2025, respectively. See Note 3.2 to the Accountant's Report included in Appendix I to this document for basis of expected credit losses for trade receivables and other receivables.

Finance Income

Our finance income consisted of interest income from bank deposits including time deposits. In 2023, 2024 and 2025, our finance income amounted to RMB16.6 million, RMB11.9 million and RMB18.4 million, respectively.

Finance Costs

Our finance costs consisted of interest expenses on bank borrowings, interest expenses on payable in relation to borrowings from a related party and interest expenses on lease liabilities. In 2023, 2024 and 2025, our finance costs amounted to RMB7.5 million, RMB5.9 million and RMB4.5 million, respectively.

Share of Results of Associates

Our share of results of associates related to our equity interest in Oriental Beauty Valley and Ziranhuida. In 2023, 2024 and 2025, our share of results of associates amounted to a loss of RMB2.5 million, nil and RMB0.1 million, respectively.

Income Tax Expense

Our income tax expense mainly represented income tax paid at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

Cayman Islands

Under the current laws of the Cayman Islands, our Company incorporated in the Cayman Islands is not subject to tax on income or capital gain. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to equity holders.

BVI

Our subsidiaries incorporated or registered under the Business Companies Act of BVI are exempted from BVI income tax pursuant to the current laws of the BVI.

Hong Kong

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

PRC

EIT provision is made on the estimated assessable profits of entities within our Group incorporated in the PRC and is calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC EIT rate is 25%. CHANDO Limited was accredited as a high and new technology enterprise ("HNTE") in 2020 and 2023 and was entitled to a preferential EIT rate of 15% during the Track Record Period. The HNTE certificate needs to be renewed every three years so as to enjoy the preferential EIT rate.

In 2023, 2024 and 2025, our income tax expense was RMB67.4 million, RMB21.1 million and RMB60.5 million, respectively, and our effective tax rate (calculated as income tax expense divided by profit before income tax) was 18.2%, 10.0% and 14.7%, respectively. The effective tax rate decreased from 18.2% in 2023 to 10.0% in 2024, primarily due to utilization of deductible losses carried forward from prior years. The effective tax rate increased from 10.0% in 2024 to 14.7% in 2025, primarily attributable to a decrease in tax exemption and preferential income tax rates applicable to our subsidiaries.

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 15.6% from RMB4,600.7 million in 2024 to RMB5,318.3 million in 2025, primarily due to (i) an increase in revenue generated from CHANDO by 15.5% from RMB4,389.7 million in 2024 to RMB5,070.4 million in 2025 and (ii) an increase in revenue generated from other brands by 19.0% from RMB194.2 million in 2024 to RMB231.1 million in 2025. Such increase was primarily attributed to (i) an increase in revenue from online directly-operated stores as a result of our enhanced promotional efforts on e-commerce platforms in light of the increasing popularity and rising user traffic on such platforms and (ii) an increase in revenue from offline retailers resulting from an increased number of our offline retailers from 228 as of December 31, 2024 to 236 as of December 31, 2025, partially offset by a decrease in revenue from distributors.

Cost of Sales

Our cost of sales increased by 11.1% from RMB1,405.7 million in 2024 to RMB1,561.1 million in 2025, which was in line with our revenue growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 17.6% from RMB3,195.0 million in 2024 to RMB3,757.1 million in 2025. Our gross profit margin increased from 69.4% in 2024 to 70.6% in 2025, primarily due to (i) an increase in revenue contribution from online channels with relatively higher gross profit margin and (ii) an increase in the gross profit margin of skincare and color cosmetics products as we strategically increased the sales of products with comparatively higher gross profit margins.

Selling and Marketing Costs

Our selling and marketing costs increased by 12.1% from RMB2,716.6 million in 2024 to RMB3,044.4 million in 2025, primarily due to an increase in marketing and promotion expenses resulting from enhanced marketing activities on our products and brands, including enhanced digital marketing activities such as publishing content about our brands and products, sharing beauty and skincare tips, engaging with consumers on major e-commerce and social media platforms, and conducting livestreaming sessions with both in-house and external KOLs, as well as outdoor advertising spending, which reflected our continuous efforts to develop and expand our sales channels and implement advertising initiatives.

Administrative Expenses

Our administrative expenses increased by 16.9% from RMB209.8 million in 2024 to RMB245.1 million in 2025, primarily due to (i) an increase in labor costs resulting from the expansion of our administrative team, (ii) share-based compensation was included in the administrative expenses in 2025 and (iii) an increase in [**REDACTED**] in connection with the [**REDACTED**].

Research and Development Expenses

Our research and development expenses increased by 16.5% from RMB91.2 million in 2024 to RMB106.2 million in 2025, primarily due to an increase in test and inspection fee charged by external institutions.

Other Income

Our other income increased by 245.9% from RMB20.2 million in 2024 to RMB69.8 million in 2025, primarily due to an increase in government grants.

Other Gains — Net

Our other gains, net decreased by 84.3% from RMB5.7 million in 2024 to RMB0.9 million in 2025, primarily due to (i) the reclassification of certain distributor deposits that were not required to be refunded as other gains in 2024 and (ii) foreign exchange losses in 2025 due to exchange rate fluctuations, partially offset by an increase in compensations arising from cargo damage and unauthorized distribution.

Reversal/(provision) of Impairment Losses on Financial Assets

We recorded reversal of impairment losses on financial assets of RMB2.8 million in 2024, which turned to provision of impairment losses on financial assets of RMB4.5 million in 2025, primarily due to the provision made on the bad debts related to a distributor.

Finance Income

Our finance income increased by 55.0% from RMB11.9 million in 2024 to RMB18.4 million in 2025, primarily due to an increase in interest income from bank deposits (including time deposits) resulting from our increased bank deposits balances.

Finance Costs

Our finance costs decreased by 23.7% from RMB5.9 million in 2024 to RMB4.5 million in 2025, primarily due to a decrease in interest on lease liabilities resulting from a decrease in lease liabilities.

Income Tax Expense

Our income tax expense increased by 187.0% from RMB21.1 million in 2024 to RMB60.5 million in 2025, primarily due to an increase in taxable income, which was generally in line with the growth of our business. Our effective tax rate (calculated as income tax expense divided by profit before income tax) increased from 10.0% in 2024 to 14.7% in 2025.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 84.8% from RMB189.8 million in 2024 to RMB350.8 million in 2025.

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

Revenue

Our revenue increased by 3.6% from RMB4,441.8 million in 2023 to RMB4,600.7 million in 2024, primarily due to (i) an increase in revenue generated from CHANDO by 3.0% from RMB4,260.6 million in 2023 to RMB4,389.7 million in 2024 and (ii) an increase in revenue generated from other brands by 13.5% from RMB171.2 million in 2023 to RMB194.2 million in 2024. Such increase was primarily attributed to (i) an increase in revenue from online directly-operated stores as a result of our enhanced promotional efforts on e-commerce platforms in light of the increasing popularity and rising user traffic on such platforms and (ii) an increase in revenue from offline retailers resulting from an increased number of our offline retailers from 199 as of December 31, 2023 to 228 as of December 31, 2024, partially offset by a decrease in revenue from distributors.

Cost of Sales

Our cost of sales decreased by 1.7% from RMB1,429.4 million in 2023 to RMB1,405.7 million in 2024, primarily due to a decrease in raw materials, consumables, finished goods and work in progress used driven by our cost management measures, partially offset by an increase in warehousing and logistics expenses due to the increased revenue contribution from online channels.

Gross Profit and Gross Profit Margin

Our gross profit increased by 6.1% from RMB3,012.4 million in 2023 to RMB3,195.0 million in 2024. Our gross profit margin increased from 67.8% in 2023 to 69.4% in 2024, primarily attributable to (i) an increase in revenue contribution from online channels with relatively higher gross profit margin, (ii) an increase in the gross profit margin of skincare and color cosmetics products as we strategically increased the sales of products with comparatively higher gross profit margins, and (iii) decreased raw materials, consumables, finished goods and work in progress used driven by our cost management measures.

Selling and Marketing Costs

Our selling and marketing costs increased by 12.9% from RMB2,406.0 million in 2023 to RMB2,716.6 million in 2024, primarily due to an increase in marketing and promotion expenses resulting from enhanced marketing activities on our products and brands, including enhanced digital marketing activities such as publishing content about our brands and products, sharing beauty and skincare tips, engaging with consumers on major e-commerce and social media platforms, and conducting livestreaming sessions with both in-house and external KOLs, as well as outdoor advertising spending, which reflected our continuous efforts to implement advertising initiatives and develop and expand our sales channels.

Administrative Expenses

Our administrative expenses increased by 4.7% from RMB200.4 million in 2023 to RMB209.8 million in 2024, primarily due to (i) an increase in information system maintenance costs resulting from the installation of several new information systems in 2024 and (ii) an increase in [**REDACTED**] in relation to the [**REDACTED**].

Research and Development Expenses

Our research and development expenses decreased by 2.8% from RMB93.8 million in 2023 to RMB91.2 million in 2024, primarily due to a decrease in test and inspection fee and a decrease in raw materials and consumables driven by our enhanced expense management, partially offset by an increase in labor costs.

Other Income

Our other income decreased by 43.5% from RMB35.7 million in 2023 to RMB20.2 million in 2024, primarily due to a decrease in government grants.

Other Gains — Net

Our other gains, net decreased by 50.7% from RMB11.6 million in 2023 to RMB5.7 million in 2024, primarily due to a decrease in compensations from a third-party logistics service provider related to cargo damage.

Reversal/(provision) of Impairment Losses on Financial Assets

Our reversal of impairment losses on financial assets decreased by 13.6% from RMB3.3 million in 2023 to RMB2.8 million in 2024, primarily due to a decrease in the ending balance of long-aged trade receivables in 2024 compared to 2023.

Finance Income

Our finance income decreased by 28.7% from RMB16.6 million in 2023 to RMB11.9 million in 2024, primarily due to a decrease in interest income form bank deposits (including time deposits) resulting from our decreased bank deposits balances and lowered interest rates.

Finance Costs

Our finance costs decreased by 21.7% from RMB7.5 million in 2023 to RMB5.9 million in 2024, primarily due to a decrease in interest on bank borrowings resulting from repayment of borrowings, partially offset by an increase in interest on lease liabilities as we entered into new leases.

Income Tax Expense

Our income tax expense decreased by 68.7% from RMB67.4 million in 2023 to RMB21.1 million in 2024, primarily due to a decrease in profit before income tax. Our effective tax rate (calculated as income tax expense divided by profit before income tax) decreased from 18.2% in 2023 to 10.0% in 2024, primarily due to utilization of deductible losses carried forward from prior years.

Profit for the Year

Our profit for the year decreased by 37.1% from RMB301.9 million in 2023 to RMB189.8 million in 2024, primarily due to an increase in selling and marketing costs resulting from enhanced marketing activities on our products and brand.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Non-Current Assets/(Liabilities)

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	579,287	612,608	617,052
Right-of-use assets	91,807	133,766	86,152
Intangible assets	44,404	41,336	31,117
Investment in associates	–	–	1,449
Other receivables	56,958	50,614	48,031
Deferred income tax assets	87,624	139,199	190,118
Time deposits	300,356	257,422	–
Total non-current assets	**1,160,436**	**1,234,945**	**973,919**
Non-current liabilities			
Lease liabilities	28,774	56,236	28,307
Deferred income tax liabilities	2,614	4,528	7,536
Total non-current liabilities	**31,388**	**60,764**	**35,843**

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of buildings, machinery and equipment, tools and molds, vehicle, office and other equipment, leasehold improvements and construction in progress. Our property, plant and equipment increased by 5.8% from RMB579.3 million as of December 31, 2023 to RMB612.6 million as of December 31, 2024, primarily due to (i) an increase in machinery and equipment following the transfer of certain construction-in-progress to fixed assets and (ii) an increase in leasehold improvements due to renovation and maintenance. Our property, plant and equipment remained relatively stable at RMB612.6 million as of December 31, 2024 and RMB617.1 million as of December 31, 2025.

Right-of-use Assets

Our right-of-use assets increased by 45.7% from RMB91.8 million as of December 31, 2023 to RMB133.8 million as of December 31, 2024, mainly attributable to our lease renewals of offices in 2024. Our right-of-use assets decreased by 35.6% from RMB133.8 million as of December 31, 2024 to RMB86.2 million as of December 31, 2025, mainly attributable to depreciation of such right-of-use assets according to the lease terms.

Deferred Income Tax Assets

Our deferred income tax assets included temporary difference on revenue recognition, tax losses, advertising expenses, lease liabilities and provision for impairment and inventory provisions. See Note 10.1 to the Accountant's Report included in Appendix I to this document for details of deferred income tax assets. Notably, we recorded deferred tax assets of RMB37.0 million, RMB98.5 million and RMB151.2 million relating to advertising expenses as of December 31, 2023, 2024 and 2025, respectively. Our deferred income tax assets arose from advertising expenses were primarily due to higher selling and marketing costs during the Track Record Period, which exceeded the 30% annual revenue cap for tax deductibility under relevant PRC tax regulations. Therefore, the excess portion that cannot be deducted in the current year has been recognized as deferred tax assets, as it can be carried forward and utilized against future taxable profits.

Net Current Assets and Liabilities

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current assets				
Inventories	488,098	439,746	475,674	464,767
Trade and other receivables and prepayments	322,774	279,754	375,124	440,858
Time deposits	–	–	264,547	264,691
Financial assets at fair value through profit or loss	–	–	150,000	–
Restricted cash	–	–	751	751
Cash and cash equivalents	575,160	858,110	948,939	808,370
Total current assets	**1,386,032**	**1,577,610**	**2,215,035**	**1,979,437**
Current liabilities				
Trade and other payables	802,395	1,054,709	822,136	510,879
Current income tax liabilities	29,638	43,323	93,262	89,859
Contract liabilities	390,890	229,067	186,889	189,000
Borrowings	50,486	50,027	–	–
Financial liabilities at fair value through profit or loss	–	410,222	773,405	773,405
Lease liabilities	20,552	37,554	18,647	21,971
Total current liabilities	**1,293,961**	**1,824,902**	**1,894,339**	**1,585,114**
Net current (liabilities)/assets	**92,071**	**(247,292)**	**320,696**	**394,323**

Our net current assets increased from RMB320.7 million as of December 31, 2025 to RMB394.3 million as of February 28, 2026, primarily due to (i) an increase in trade and other receivables and prepayments resulting from (a) increased accounts receivable from major customers with credit terms in line with our increased sales and (b) increased prepayments for market promotion services, which are typically paid in a lump sum at the beginning of the year and amortized over subsequent months and (ii) a decrease in trade and other payables resulting from the settlement of payables for marketing and promotions and employee year-end bonuses and tax payables, partially offset by a decrease in cash and cash equivalents resulting from payments of outstanding payables.

We recorded net current liabilities of RMB247.3 million as of December 31, 2024 and net current assets of RMB320.7 million as of December 31, 2025. We recorded net current liabilities as of December 31, 2024, primarily due to the financial liabilities at fair value through profit or loss resulting from redemption liabilities from our Pre-[**REDACTED**] Investments. Such redemption liabilities reflect the increasing valuation of our Company during the Track Record Period as the redemption amount is linked to our fair value. Upon the [**REDACTED**], such redemption liabilities will be converted into ordinary shares and reclassified as equity, thereby eliminating the liabilities. Therefore, our net current liabilities position is expected to turn into net current assets position following the [**REDACTED**]. We turned into net assets position in 2025, primarily due to (i) an increase in time deposits, (ii) an increase in financial assets at fair value through profit or loss resulting from our purchase of certain wealth management products from banks and (iii) a decrease in trade and other payables resulting from the settlement of distribution payables due to our shareholders arising from the Reorganization, partially offset by an increase in financial liabilities at fair value through profit or loss arising from redemption liabilities related to our Pre-[**REDACTED**] Investments, reflecting an increase in the valuation of our Company.

We recorded net current assets of RMB92.1 million as of December 31, 2023 and net current liabilities of RMB247.3 million as of December 31, 2024, primarily due to (i) financial liabilities at fair value through profit or loss resulting from redemption liabilities from our Pre-[**REDACTED**] Investments in 2024 and (ii) an increase in trade and other payables resulting from increased amounts due to related parties driven by an increase in deemed distribution payables due to our shareholders arising from the Reorganization, partially offset by an increase in cash and cash equivalents resulting from net cash generated from financing activities mainly due to [**REDACTED**] from Pre-[**REDACTED**] Investments in 2024 and a decrease in contract liabilities resulting from decreased advances from customers resulting from our continuous optimization of CMMS in distribution model.

Inventories

Our inventories primarily consisted of raw materials, work in progress and finished goods. For our policy of provision of inventories, see Note 12 to the Accountant's Report included in Appendix I to this document. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	68,886	62,960	105,367
Work in progress	9,985	11,419	16,242
Finished goods	445,313	401,545	379,317
Less: provision	(36,086)	(36,178)	(25,252)
Total	**488,098**	**439,746**	**475,674**

The following table sets out an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	489,805	445,275	477,608
One to two years	26,778	19,857	11,853
Two to three years	5,124	7,814	9,240
Over three years	2,477	2,978	2,225
Less: provision	(36,086)	(36,178)	(25,252)
Total	**488,098**	**439,746**	**475,674**

Our inventories decreased by 9.9% from RMB488.1 million as of December 31, 2023 to RMB439.7 million as of December 31, 2024, primarily due to our enhanced inventory management empowered by CMMS. Our inventories subsequently increased by 8.2% to RMB475.7 million as of December 31, 2025 primarily due to an increase in raw materials resulting from stockpiling in preparation for the Chinese New Year holiday.

As of February 28, 2026, RMB142.2 million, or 28.4% of inventories as of December 31, 2025, had been used, consumed or sold subsequent to December 31, 2025.

Our average product shelf life is three to five years. We periodically assess the impairment on our inventories. Impairment of inventories to net realizable value is based on the assessment of the possibility to sell in the future and the net realizable value of inventories. As of December 31, 2023 and 2024 and 2025, we had made sufficient provision for impairment of inventories and did not identify any other impairment issue on our inventories. Having considered that our subsequent utilization of inventories was primarily in line with the production cycle of inventories, we do not expect any issues on subsequent consumption and sales of our inventories.

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
Inventory turnover days[1]	134.2	120.5	107.0

Note:

(1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of sales for the relevant year and multiplied by 365 days.

Our inventory turnover days decreased from 134.2 days in 2023 to 120.5 days in 2024 and further to 107.0 days in 2025, primarily attributable to our increased turnover efficiency fueled by CMMS.

Trade and other receivables and prepayments

Our trade and other receivables and prepayments mainly consisted of (i) trade receivables, mainly representing payments for our products from our online and offline retailers and distributors, (ii) prepayments to suppliers, mainly representing prepayments to suppliers for packaging materials, raw materials and market promotion services, (iii) finance lease receivables, mainly representing accounts receivable associated with social security housing for talents for our eligible employees, (iv) prepaid taxes and surcharges and input VAT to be deducted, mainly representing value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables, and (v) deposits, mainly representing deposits paid to e-commerce platforms. We had trade and other receivables and prepayments of RMB322.8 million, RMB279.8 million and RMB375.1 million as of December 31, 2023, 2024 and 2025, respectively.

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	207,361	126,441	213,104
Less: provision for impairment of trade receivables	(12,504)	(4,088)	(6,272)

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to suppliers	103,301	92,685	115,067
Finance lease receivables	49,285	46,914	46,272
Prepaid taxes and surcharges and deductable input VAT	9,578	24,729	16,410
Deposits	21,033	39,811	32,190
Amount due from related parties	2,600	2,671	2,600
Prepayments for [**REDACTED**]	1,826	3,916	6,475
Others	238	1,033	3,163
Less: provision for impairment of other receivable	(2,986)	(3,744)	(5,854)
Less: non-current portion	(56,958)	(50,614)	(48,031)
Total	**322,774**	**279,754**	**375,124**

Trade receivables

Our trade receivables mainly consisted of payments for our products due from online and offline retailers and distributors. We primarily require payment in advance from our customers. For certain retailers and distributors who have stable relationships with us, we have engaged in credit sales with them during the Track Record Period and usually grant credit terms within 90 days. We seek to maintain strict control over our outstanding trade receivables. Overdue balances are reviewed regularly by our senior management. We have also implemented strengthened credit term review and approval procedures to minimize credit risks.

The following table sets out an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within three months	194,373	122,592	207,684
Over three months and within six months	3,557	236	1,083
Over six months and within nine months	256	343	89
Over nine months and within 12 months	1,563	381	360
Over 12 months	7,612	2,889	3,888
Less: provision	(12,504)	(4,088)	(6,272)
Total	**194,857**	**122,353**	**206,832**

Our trade receivables, net of provision decreased by 37.2% from RMB194.9 million as of December 31, 2023 to RMB122.4 million as of December 31, 2024, mainly due to the settlement of the receivables outstanding at the end of 2023 from such online retailer in January 2024. Our trade receivables, net of provision increased by 69.0% from RMB122.4 million as of December 31, 2024 to RMB206.8 million as of December 31, 2025, which was in line with our increased sales.

In relation to trade receivables, net of provision of RMB206.8 million as of December 31, 2025, we believe there was no material recoverability issues with such outstanding trade receivables because (i) the outstanding balance was generally within the credit period granted to our customers or in accordance with relevant settlement procedures implemented by either us or our customers; (ii) our customers generally enjoy good credit quality with steady business and financial performance in the past; (iii) we have not had any material collection issues with our customers; and (iv) we have recorded sufficient trade receivables provisions. For our policy of trade receivable provisions, see Note 3.2(b) to the Accountants' Report included in Appendix I to this document.

The following table sets forth our trade receivables turnover days for the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days[1]	11.7	12.6	11.3

Note:

(1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables, net of provision for a year divided by revenue for the relevant year and multiplied by 365 days.

Our trade receivables turnover days remained relatively stable at 11.7 days in 2023, 12.6 days in 2024 and 11.3 days in 2025.

As of February 28, 2026, RMB130.6 million, or 61.3% of our trade receivables as of December 31, 2025, had been settled subsequent to December 31, 2025.

Prepayments to suppliers

Our prepayments to suppliers mainly consisted of prepayments to suppliers for packaging materials, raw materials and market promotion services. Our prepayments to suppliers decreased by 10.3% from RMB103.3 million as of December 31, 2023 to RMB92.7 million as of December 31, 2024, mainly attributable to our implementation of more stringent prepayment management policy. Our prepayments to suppliers increased by 24.1% from RMB92.7 million as of December 31, 2024 to RMB115.1 million as of December 31, 2025, primarily due to an increase in prepayments for market promotion services.

Trade and other payables

Our trade and other payables mainly represented trade payables, payables for marketing and promotions, deposits payables mainly including deposits payable to suppliers of raw materials and infrastructure projects as well as distributors and online retailers, accrued payroll, other tax payables and amounts due to related parties.

The following table sets out a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	158,271	159,877	223,411
Payables for marketing and promotions	420,646	316,653	308,558
Deposits payables	84,659	77,360	86,084
Accrued payroll	94,318	91,456	104,768
Other tax payables	22,657	15,725	74,457
Amounts due to related parties	12,765	349,799	15,152
Payables for [**REDACTED**]	5,348	90	5,091
Amount due to a preferred shares investor	–	33,454	–
Others	3,731	10,295	4,615
Total	**802,395**	**1,054,709**	**822,136**

Our trade and other payables increased by 31.4% from RMB802.4 million as of December 31, 2023 to RMB1,054.7 million as of December 31, 2024, mainly due to an increase in amounts due to related parties resulting from an increase in distribution payables due to our shareholders arising from the Reorganization, partially offset by a decrease in payables for marketing and promotions because we strategically negotiated more favorable pricing terms with marketing service providers by agreeing to expedited payment. Our trade and other payables decreased by 22.1% from RMB1,054.7 million as of December 31, 2024 to RMB822.1 million as of December 31, 2025, mainly due to a decrease in amounts due to related parties resulting from the settlement of distribution payables due to our shareholders arising from the Reorganization.

Trade payables

Our trade payables primarily represented trade payables to suppliers for raw materials. The trade payables are normally settled within 60 days. Our trade payables remained relatively stable at RMB158.3 million as of December 31, 2023 and RMB159.9 million as of December 31, 2024. Our trade payables increased by 39.7% from RMB159.9 million as of December 31, 2024 to RMB223.4 million as of December 31, 2025, mainly due to an increase in the procurement of raw materials in preparation for the Chinese New Year holiday. Our outstanding trade payables as of December 31, 2023, 2024 and 2025 were due within one year. See the aging analysis of our trade payables in Note 18 to the Accountant's Report included in Appendix I to this document.

The following table sets forth our trade payables turnover days for the Track Record Period:

	Year ended December 31,		
	2023	**2024**	**2025**
Trade payables turnover days[1]	35.9	41.3	44.8

Note:

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by cost of sales used for the relevant year and multiplied by 365 days.

Our trade payables turnover days increased from 35.9 days in 2023 to 41.3 days in 2024, primarily due to a decrease in our cost of sales. Our trade payable turnover days increased to 44.8 days in 2025, primarily attributable to the stockpiling in preparation for the Chinese New Year holiday.

We plan to continue to actively manage our liquidity with respect to our inventories, trade receivables and trade payables to ensure that sufficient cash flow will be generated internally for our ongoing working capital needs. In view that our inventory turnover days and trade receivables turnover days together were much longer than our trade payables turnover days during the Track Record Period, we have taken the following measures to control our cashflow mismatch risk: (i) we may use our accumulated surplus funds to enhance and optimize our operation and liquidity. Benefiting from our continuous business growth, we recorded net cash generated from operating activities of RMB444.2 million, RMB65.2 million and RMB491.3 million in 2023, 2024 and 2025, respectively. In addition, we maintained a large time deposit with a principal amount of RMB264.5 million as of December 31, 2025 as a liquidity buffer to further safeguard our working capital needs; (ii) we may from time to time flexibly utilize banking facilities to further optimize our liquidity position. During the Track Record Period, we supplemented our working capital by utilizing bank borrowings as needed. We had borrowings of RMB50.5 million, RMB50.0 million and nil, respectively, as of December 31, 2023, 2024 and 2025. Going forward, we will continue to monitor our liquidity needs and stand ready to access bank credit facilities should circumstances require; (iii) the continuous reduction in inventory turnover days is expected to further mitigate cash flow mismatch risk. During the Track Record Period, our inventory turnover days decreased from 134.2 days in 2023 to 120.5 days in 2024, and further to 107.0 days in 2025. Looking ahead, we will continue to implement effective inventory management strategies to maintain healthy cash flows and improve our overall financial flexibility.

As of February 28, 2026, RMB223.2 million, or 94.7% of our trade payables as of December 31, 2025, had been settled subsequent to December 31, 2025.

Our Directors confirm that there was no material default in trade and non-trade payables during the Track Record Period and up to the Latest Practicable Date.

Payables for marketing and promotions

Payables for marketing and promotions mainly represented the amounts payable to suppliers of services related to marketing and promotional activities. Our payables for marketing and promotions decreased by 24.7% from RMB420.6 million as of December 31, 2023 to RMB316.7 million as of December 31, 2024, because we strategically negotiated more favorable pricing terms with marketing service providers by agreeing to expedited payment. Our payables for marketing and promotions remained relatively stable at RMB316.7 million as of December 31, 2024 and RMB308.6 million as of December 31, 2025.

Amounts due to related parties

Amounts due to related parties mainly consisted of (i) product production fees payable to Encos (Shanghai) Cosmetics Co., Ltd, (ii) testing service fees payable to Shanghai JAK Technology, (iii) printing and packaging fees payable to Shanghai Chengfeng, (iv) payables to Jiaxin Holdings, representing (a) interest-bearing borrowings which were settled in August 2023, (b) deposits for leases and (c) deemed distribution payables arising from the Reorganization, and (v) deemed distribution payables due to our shareholders arising from the Reorganization. As of December 31, 2025, all of our amounts due to related parties were trade in nature. Our amounts due to related parties increased significantly from RMB12.8 million as of December 31, 2023 to RMB349.8 million as of December 31, 2024, primarily due to an increase in distribution payables due to our shareholders arising from the Reorganization. Our amounts due to related parties decreased from RMB349.8 million as of December 31, 2024 to RMB15.2 million as of December 31, 2025, primarily due to the settlement of distribution payables due to our shareholders arising from the Reorganization.

Contract Liabilities

Our contract liabilities primarily represented advanced payments from our customers for products that have not yet been provided to such customers, estimated loyalty points arising from our customer loyalty program, and sales rebates, which were all expected to be satisfied within one year. The following table sets out a breakdown of our contract liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advances from customers	236,638	105,663	67,690
Customer loyalty program	58,456	53,513	53,897
Sales rebates	95,796	69,891	65,302
Total	**390,890**	**229,067**	**186,889**

Our contract liabilities decreased by 41.4% from RMB390.9 million as of December 31, 2023 to RMB229.1 million as of December 31, 2024 and further decreased by 18.4% to RMB186.9 million as of December 31, 2025, primarily due to a decrease in advances from customers resulting from our continuous optimization of our CMMS in distribution model in the second half of 2024, which enabled distributors to place orders based on real-time demand. As a result, we could fulfill orders and recognize revenue within a few days after receiving payment, significantly accelerating the overall cycle from payment to delivery and revenue recognition. Consequently, the balance of advances from customers declined.

As of February 28, 2026, RMB106.3 million, or 56.9% of our contract liabilities as of December 31, 2025 were recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically funded our cash requirements principally from cash generated from our operations and bank borrowings. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations, bank borrowings and the net [**REDACTED**] from the [**REDACTED**]. We do not anticipate any changes to the availability of financing to fund our operations in the future.

As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB575.2 million, RMB858.1 million and RMB948.9 million, respectively.

Working Capital Sufficiency Confirmation

Taking into account the financial resources available to us, including our cash and cash equivalents, our available banking facilities, cash flows from operating activities and the estimated net [**REDACTED**] of the [**REDACTED**], our Directors are of the view that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

Cash Flow

The following table sets out a summary of our cash flow for the periods indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/ generated from operating activities	444,182	65,203	491,267
Net cash used in investing activities	(6,504)	(44,846)	(220,038)
Net cash generated from/(used in) financing activities	(214,285)	261,288	(174,524)
Net (decrease)/increase in cash and cash equivalents	223,393	281,645	96,705
Effect of foreign exchange rate changes	–	1,305	(5,876)
Cash and cash equivalents at beginning of the year	351,767	575,160	858,110
Cash and cash equivalents at the end of the year	**575,160**	**858,110**	**948,939**

Net Cash Generated from/(Used in) Operating Activities

In 2025, our net cash generated from operating activities was RMB491.3 million, reflecting our profit for the year of RMB350.8 million, adjustments of non-cash and non-operating items, movements in working capital, interest received of RMB11.3 million, interest paid of RMB4.5 million and income taxes paid of RMB58.2 million. Adjustments of non-cash and non-operating items primarily comprised depreciation and amortization of RMB113.5 million and income tax expense of RMB60.5 million. Our movements in working capital primarily comprised an increase in trade and other receivables and prepayments of RMB95.3 million, a decrease in contract liabilities of RMB42.2 million, an increase in inventories of RMB25.0 million, partially offset by an increase in trade and other payables of RMB151.5 million.

In 2024, our net cash generated from operating activities was RMB65.2 million, reflecting our profit for the year of RMB189.8 million, adjustments of non-cash and non-operating items, movements in working capital, interest received of RMB4.8 million, interest paid of RMB6.3 million and income taxes paid of RMB57.0 million. Adjustments of non-cash and non-operating items primarily comprised depreciation and amortization of RMB116.8 million and income tax expense of RMB21.1 million. Our movements in working capital primarily comprised a decrease in trade and other payables of RMB132.0 million and decrease in contract liabilities of RMB161.8 million, partially offset by a decrease in trade and other receivables and prepayments of RMB52.0 million and a decrease in inventories of RMB48.3 million.

In 2023, our net cash generated from operating activities was RMB444.2 million, reflecting our profit for the year of RMB301.9 million, adjustments of non-cash and non-operating items, movements in working capital, interest received of RMB41.1 million, interest paid of RMB7.2 million and income taxes paid of RMB15.7 million. Adjustments of non-cash and non-operating items primarily comprised income tax expense of RMB67.4 million and depreciation and amortization of RMB117.1 million. Our movements in working capital primarily comprised a decrease in inventories of RMB90.8 million and an increase in contract liabilities of RMB31.1 million, partially offset by a decrease in trade and other payables of RMB111.3 million and an increase in trade and other receivables and prepayments of RMB44.1 million.

Net Cash (Used in) Investing Activities

In 2025, our net cash used in investing activities was RMB220.0 million, primarily attributable to purchase of financial assets at fair value through profit or loss of RMB150.0 million and purchase of property, plant and equipment of RMB68.2 million.

In 2024, our net cash used in investing activities was RMB44.8 million, which was primarily attributable to purchase of property, plant and equipment of RMB92.0 million, partially offset by maturity of time deposits of RMB50.0 million.

In 2023, our net cash used in investing activities was RMB6.5 million, which was primarily attributable to (i) placing of time deposits of RMB300.0 million, and (ii) purchase of property, plant and equipment of RMB55.2 million, partially offset by maturity of time deposits of RMB350.0 million.

Net Cash Flows Generated from/(Used in) Financing Activities

In 2025, our net cash used in financing activities was RMB174.5 million, which was primarily attributable to payment for deemed distribution of RMB342.0 million, repayment of borrowings of RMB50.0 million, payments in connection with leases of RMB35.7 million and repayment of payables from a preferred share investor of RMB 33.5 million, partially offset by proceeds from issuance of preferred shares of RMB300.0 million.

In 2024, our net cash generated from financing activities was RMB261.3 million, which was primarily attributable to (i) proceeds from related parties loan of RMB600.0 million, (ii) proceeds from issuance of preferred shares of RMB409.2 million and (iii) proceeds from borrowings of RMB50.0 million, partially offset by (i) repayment of related parties loan of RMB600.0 million, (ii) payment for deemed distribution of RMB143.1 million, (iii) repayments of borrowings of RMB50.0 million and (iv) payments in connection with leases of RMB45.9 million.

In 2023, our net cash used in financing activities was RMB214.3 million, which was primarily attributable to (i) repayments of borrowings of RMB258.0 million, and (ii) payments in connection with leases of RMB47.3 million, partially offset by proceeds from borrowings of RMB100.0 million.

INDEBTEDNESS

During the Track Record Period, our indebtedness included borrowings, lease liabilities, financial liabilities at fair value through profit or loss and loans from related parties. The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB'000)			(unaudited)
Current				
Borrowings	50,486	50,027	–	–
Lease liabilities	20,552	37,554	18,647	21,971
Financial liabilities at fair value through profit or loss	–	410,222	773,405	773,405
Non-current				
Lease liabilities	28,774	56,236	28,307	41,935
Total	**99,812**	**554,039**	**820,359**	**837,311**

Borrowings

As of December 31, 2023, 2024, 2025 and February 28, 2026, we had borrowings of RMB50.5 million, RMB50.0 million, nil and nil, respectively, mainly representing unsecured bank loans primarily to supplement our working capital, which were matured within one year. Our borrowings are all denominated in Renminbi. The interest rate on our fixed-rate bank loans ranges from 2.40% to 3.40%. As of the Latest Practicable Date, we had no unutilized banking facilities.

Our Directors confirm that there was no material restrictive covenant on any of our outstanding debt and there was no material default in payments of our liabilities and/or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

As of December 31, 2023, 2024, 2025 and February 28, 2026, we had lease liabilities of RMB49.3 million, RMB93.8 million, RMB47.0 million and RMB63.9 million, respectively, mainly representing the leased premises for our offices and warehouses.

Our lease liabilities increased by 90.1% from RMB49.3 million as of December 31, 2023 to RMB93.8 million as of December 31, 2024, primarily due to our new leases and lease renewal of offices. Our lease liabilities decreased by 49.9% from RMB93.8 million as of December 31, 2024 to RMB47.0 million as of December 31, 2025, primarily due to (i) the termination of certain warehouse lease and (ii) the gradual amortization of lease liabilities.

Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2023, 2024, 2025 and February 28, 2026, we had financial liabilities at fair value through profit or loss of nil, RMB410.2 million, RMB773.4 million and RMB773.4 million, respectively, mainly representing the redemption liabilities relating to our Series A Preferred Shares. For details, see Note 19 to the Accountant's Report included in Appendix I to this document.

Contingent Liabilities

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liabilities.

No Other Outstanding Indebtedness

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of February 28, 2026, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness since February 28, 2026.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods or as of the dates indicated:

	Year ended/As of December 31,		
	2023	2024	2025
Gross profit margin (%)(1)	67.8	69.4	70.6
Net profit margin (%)(2)	6.8	4.1	6.6
Adjusted net profit margin (%) (non-IFRS measure)(3)	7.0	4.4	7.8
Return on total assets (%)(4)	11.9	7.1	11.7
Current ratio(5)	1.1	0.9	1.2
Quick ratio(6)	0.7	0.6	0.9
Gearing ratio (%)(7)	4.1	5.4	–

Notes:

(1) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(2) Net profit margin equals profit for the year divided by revenue for the year and multiplied by 100%.

(3) Adjusted net profit margin (non-IFRS measure) equals adjusted net profit (non-IFRS measure) for the year divided by revenue for the year and multiplied by 100%. See "— Non-IFRS Measures."

(4) Return on total assets equals profit for the year divided by the average of the beginning and ending total assets multiplied by 100%.

(5) Current ratio equals total current assets divided by total current liabilities as of the end of the year.

(6) Quick ratio equals total current assets less inventories and divided by total current liabilities as of the end of the year.

(7) Gearing ratio equals total borrowings divided by total equity as of the end of the year and multiplied by 100%.

Gross Profit Margin

See "— Period-to-Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Net Profit Margin

See "— Period-to-Period Comparison of Results of Operations" for a discussion of the factors affecting our net profit margin during the Track Record Period.

Adjusted Net Profit Margin (Non-IFRS Measure)

See "— Period-to-Period Comparison of Results of Operations" for a discussion of the factors affecting our adjusted net profit margin (non-IFRS measure) during the Track Record Period.

Return on Total Assets

Our return on total assets decreased from 11.9% in 2023 to 7.1% in 2024, primarily due to a decrease in profit for the year. Our return on total assets further increased to 11.7% in 2025, primarily due to a significant increase in profit for the year.

Current Ratio

Our current ratio remained relatively stable at 1.1, 0.9 and 1.2 as of December 31, 2023, 2024 and 2025.

Quick Ratio

Our quick ratio remained relatively stable at 0.7, 0.6 and 0.9 as of December 31, 2023, 2024 and 2025.

Gearing Ratio

Our gearing ratio increased from 4.1% as of December 31, 2023 to 5.4% as of December 31, 2024, primarily due to a decrease in total equity resulting from deemed distributions to the shareholders of the Company. Our gearing ratio was nil as of December 31, 2025, primarily due to we had no bank borrowings as of December 31, 2025.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

COMMITMENTS

During the Track Record Period, our capital and investment commitments were mainly property, plant and equipment and investment in associates. As of December 31, 2023, 2024 and 2025, the total amount of our capital and investment commitments were RMB72.2 million, RMB68.3 million and RMB24.6 million, respectively. The table below sets out the details of our commitments as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for, but not recognized as liabilities			
Property, plant and equipment	72,196	66,759	24,622
Investment in associates	–	1,500	–
Total	**72,196**	**68,259**	**24,622**

CAPITAL EXPENDITURES

Our capital expenditure consisted of purchase of property, plant and equipment and purchase of intangible assets during the Track Record Period. Our capital expenditures in 2023, 2024 and 2025 were RMB69.0 million, RMB100.2 million and RMB72.7 million, respectively.

We funded our capital expenditure requirements during the Track Record Period mainly from cash flow generated from operating activities, equity and debt financing. We intend to fund our future capital expenditures with a combination of operating cash flow, equity and debt financing and net [**REDACTED**] received from the [**REDACTED**].

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 35 of Appendix I to this document. We expect to settle the outstanding non-trade related party balances as of December 31, 2025 by the date of this document.

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

Our activities expose us to a variety of financial risks, including market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 3 of Appendix I to this document.

DIVIDEND AND DIVIDEND POLICY

No dividend has been paid or declared by our Company since its incorporation and the companies now comprising our Group during the Track Record Period.

We do not have any dividend policy. Our Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS Accounting Standards. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Company did not have any distributable reserves.

[REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range stated in this document), the aggregate [**REDACTED**] and fees, together with the Stock Exchange [**REDACTED**] fee, AFRC transaction levy, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the [**REDACTED**], which are payable by us, are estimated to amount in aggregate to be approximately RMB[**REDACTED**] million, accounting for [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], of which RMB[**REDACTED**] million has been charged to our consolidated income statements in the years ended December 31, 2023 and 2024 and 2025, approximately RMB[**REDACTED**] million is expected to be charged to profit and loss after the Track Record Period, and approximately RMB[**REDACTED**] million is directly attributable to the [**REDACTED**] and [**REDACTED**] of our [**REDACTED**] and will be deducted from equity upon the [**REDACTED**]. By nature, our [**REDACTED**] are composed of (i) [**REDACTED**] of approximately RMB[**REDACTED**] million, and (ii) [**REDACTED**] related expenses of approximately RMB[**REDACTED**] million, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB[**REDACTED**] million and other fees and expenses of approximately RMB[**REDACTED**] million.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Unaudited [**REDACTED**] Financial Information" in Appendix II to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant's Report in Appendix I to this document, and there has been no event since December 31, 2025 that would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

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.