The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with the HKFRS.

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

OVERVIEW

We provide high-performance outdoor garments and equipment, enabling everyone to fully enjoy the beauty of nature. Established in 2012, our core brand, *Pelliot*, embodies a spirit of adventure and a dedication to pushing the boundaries of outdoor garments. Through this brand, we offer a wide range of products, encompassing apparel, footwear, as well as equipment and accessories, for various outdoor activities, sports and fitness, as well as urban commuting. It demonstrated significant growth compared to top players in the performance outdoor garment industry in Chinese mainland in 2024. Benefitting from the continued enhancement of our brand awareness, it became one of the top three domestic performance outdoor garment brands in terms of retail sales in 2024 in Chinese mainland, accounting for 5.2% market share in the same year, according to Frost & Sullivan. According to the same source, the brand accounted for a 1.7% market share in Chinese mainland in 2024, encompassing both domestic and international brands, in terms of retail sales.

We sell our products primarily through a direct-to-consumer ("**DTC**") multi-channel model complemented by sales to e-commerce platforms and a distribution network. In addition, we are dedicated to advancing our outdoor products and delivering high-performance outdoor garments and equipment that exceed consumer expectations with premium quality at accessible prices. Our "Welcome to Nature" campaign, combined with a high performance brand presence and several blockbuster outdoor apparel products, has built a loyal consumer base among both professional athletes and outdoor enthusiasts.

With the continuous development of our business operations, our revenue and profitability experienced significant growth during the Track Record Period. Our revenue increased substantially from RMB908.1 million in 2023 to RMB1,766.1 million in 2024, and further increased to RMB2,793.0 million in 2025. In 2023, 2024 and 2025, our gross profit reached RMB528.9 million, RMB1,053.0 million and RMB1,778.4 million, respectively, with a gross profit margin of 58.2%, 59.6% and 63.7% in the corresponding year. In addition, our net profit increased from RMB151.9 million in 2023 to RMB283.1 million in 2024, and further increased to RMB355.7 million in 2025, demonstrating our ability to achieve rapid business growth while maintaining profitability. In 2023, 2024 and 2025, our adjusted net profit (non-HKFRS measure) amounted to RMB156.0 million, RMB304.3 million and RMB409.1 million, with an adjusted net profit margin (non-HKFRS measure) of 17.2%, 17.2% and 14.6%, respectively. See "— Non-HKFRS Measure."

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). All HKFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted on a consistent basis by us in the preparation of our historical financial information throughout the Track Record Period. Our historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("**FVTPL**"), which have been measured at fair value. For more details, see Note 2.1 to the Accountants' Report in Appendix I to this document.

For ordinary shares issued to Pre-**[REDACTED]** Investors, pursuant to the supplemental agreements entered into between our Company and Pre-**[REDACTED]** Investors in relation to the termination of special rights granted by us, including redemption rights, which are *void ab initio* as described in note 25 to the Accountants' Report in Appendix I to this document, having taken into account the legal and regulatory framework of our jurisdiction and the governing law of the supplementary agreements, our Directors considered that it is appropriate to present the pre-**[REDACTED]** Investments as equity during the Track Record Period. For details, see Note 25 to the Accountants' Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Growth of Consumer Demand for Performance Outdoor Garments

Our results of operations have been and will continue to be significantly influenced by the consumer demand for performance outdoor garments, including apparel, footwear, as well as equipment and accessories. The increasing popularity of outdoor activities in Chinese mainland is a critical driver of demand for performance outdoor garments, including our products. The per capita expenditure on performance outdoor garments reached RMB73 in 2024, while the per capita expenditure in the U.S. and Japan reached significantly higher levels of RMB440 and RMB170 in 2024, respectively. This highlights the substantial future growth potential of spending on performance outdoor garments in Chinese mainland. In addition, the rising adoption of non-competitive outdoor activities, like hiking, camping, and even urban commuting, further contributes to this trend, aligning with increased health awareness and evolving lifestyle preferences.

The performance outdoor garment market in Chinese mainland has experienced rapid expansion, growing from RMB53.9 billion in 2019 to RMB102.7 billion in 2024, representing a compound annual growth rate ("**CAGR**") of 13.8%, according to Frost & Sullivan. Furthermore, the market is projected to reach RMB215.8 billion in 2029, representing a CAGR of 15.5% from 2025 to 2029. As outdoor activities continue to diversify and consumer interest in multi-functional, high-performance apparel grows, we anticipate a corresponding increase in demand for performance outdoor garments. We believe this positive market outlook, combined with our expanding brand presence and effective product development system, positions us well to capitalize on these significant opportunities for market expansion and drive our future financial growth.

Brand Awareness and Product Offering

Our financial success is deeply intertwined with our brand awareness and the strength of our product offerings. Through our brand, we offer a diverse range of high-performance outdoor garments and equipment that exceed customer expectations with premium quality at accessible prices. This clear brand positioning, combined with a commitment to product advancement and quality, differentiates us from competitors and resonates with discerning consumers seeking superior performance and style. Our distinct brand demonstrated strong growth compared to top players in the performance outdoor garment industry in Chinese mainland in 2024. Benefitting from the continued enhancement of our brand awareness, it also became one of the top three domestic performance outdoor garment brands in terms of retail sales in 2024 in Chinese mainland, accounting for 5.2% market share in the same year, according to Frost & Sullivan. According to the same source, our brand accounted for a 1.7% market share in Chinese mainland in 2024, encompassing both domestic and international brands, in terms of retail sales.

We continuously optimize our product portfolio to enhance diversity and differentiation, maximizing appeal to a broader consumer base. Leveraging our effective product design and development capabilities, we launched 534 apparel SPUs among those currently available during the Track Record Period, covering a wide range of apparel categories. Among these newly launched apparel SPUs, we had 36 apparel SPUs with annual sales exceeding RMB10.0 million. We stay attuned to the latest fashion trends and evolving functional needs, adapting our product offerings accordingly. Both our product mix and pricing significantly influence our results of operations. As we develop new products and upgrade existing ones in response to changing preferences and social trends, shifts in product mix and sales volume, with their varying margins, will directly impact our financial performance. Ultimately, the attractiveness of our brands and the strength of our product offerings are key drivers of our product sales, and therefore, our overall results of operations and financial success.

Multi-channel Sales and Distribution Network

Our multi-channel sales and distribution network is a cornerstone of our revenue generation and a key driver of our results of operations. We operate a sales model that integrates online and offline channels, allowing us to reach a broad consumer base and maximize market penetration.

Our online channels are the engine of our growth, representing a strategically vital component of our sales strategy. We leverage the influence and reach of major e-commerce and content platforms, employing a two-pronged approach. We sell products directly to consumers via our self-operated online flagship stores on both established e-commerce platforms, such as Tmall, and engaging social media platforms, such as Douyin. We also partner with certain platforms, such as JD.com and VIP.com, by supplying our products to them for sale within their own platform-operated online stores. The success of this strategy is reflected in the significant contribution of online sales channels to our total revenue. The revenue generated from sales through our flagship stores and sales to e-commerce platforms accounted for 82.8%, 76.4% and 69.6% in 2023, 2024 and 2025, respectively.

Complementing our robust online presence, we are steadily expanding our offline retail footprint, focusing on strategically selected cities with robust economies and high outdoor consumption potential. As of December 31, 2025, our growing offline network comprised 21 self-operated stores and 209 partnership retail stores across Chinese mainland. Our offline presence not only enhances brand visibility but also provides valuable opportunities for direct consumer engagement, enabling us to gather real-time insights into evolving consumer preferences. Furthermore, our strategic partnerships with 139 distributors, both online and offline, as of December 31, 2025, broaden our reach and enhance product accessibility.

Management of Cost of Sales

Our cost of sales is a key factor influencing our profitability and overall results of operations. We have implemented a strategic approach to cost management, centered around a long-term supply chain system while balancing product quality and cost-effectiveness. Our strategic supply chain system leverages established partnerships with leading global material suppliers and functional technology companies allowing us to effectively control production costs. These long-term relationships provide access to fabric technologies, enhancing product performance and ensuring a stable supply of materials. Furthermore, our utilization of China's advanced apparel supply chain and logistics infrastructure, through collaborations with experienced contractual manufacturers and logistics providers, enables efficient production and delivery. Our cost of sales amounted to RMB379.2 million, RMB713.1 million and RMB1,014.6 million in 2023, 2024 and 2025, respectively. Our cost of sales as a percentage of total revenue decreased from 41.8% in 2023 to 40.4% in 2024, and further to 36.3% in 2025.

Operational Efficiency

Our profitability is significantly affected by our ability to manage operational expenses efficiently. During the Track Record Period, our total operating expenses primarily comprised selling and distribution expenses and administrative expenses. Our selling and distribution expenses amounted to RMB277.2 million, RMB586.5 million and RMB1,058.7 million in 2023, 2024 and 2025, respectively, accounting for 30.5%, 33.2% and 37.9% of our total revenue in the corresponding year, reflecting our continued investments in marketing and promotional activities and the enhancement of our sales and distribution capabilities to support business expansion. Our administrative expenses totaled RMB64.9 million, RMB132.6 million and RMB255.4 million in 2023, 2024 and 2025, respectively, representing 7.2%, 7.5% and 9.1% of our total revenue in the corresponding year, as we expanded our organizational capacity and strengthened our operational and compliance functions. We will continue to optimize spending efficiency and enhance cost discipline to improve our operational efficiency.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of our historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Our material accounting policies are set forth in detail in Note 2.3 to the Accountants' Report included in Appendix I to this document. Our critical accounting judgements and estimates are set forth in detail in Note 3 to the Accountants' Report included in Appendix I to this document.

DESCRIPTION OF MAJOR COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	**908,068**	**100.0**	**1,766,102**	**100.0**	**2,792,988**	**100.0**
Cost of sales	(379,184)	(41.8)	(713,055)	(40.4)	(1,014,618)	(36.3)
Gross profit	**528,884**	**58.2**	**1,053,047**	**59.6**	**1,778,370**	**63.7**
Other income and gains, net	21,926	2.4	55,801	3.2	40,996	1.5
Selling and distribution expenses	(277,175)	(30.5)	(586,500)	(33.2)	(1,058,666)	(37.9)
Administrative expenses	(64,943)	(7.2)	(132,578)	(7.5)	(255,428)	(9.1)
Impairment losses on financial assets, net	(429)	(0.0)	7	0.0	(305)	(0.0)
Other expenses	(18,810)	(2.1)	(37,815)	(2.1)	(67,768)	(2.4)
Finance costs	(1,748)	(0.2)	(1,849)	(0.1)	(1,452)	(0.1)
Profit before taxation	**187,705**	**20.7**	**350,113**	**19.8**	**435,747**	**15.6**
Income tax expense	(35,760)	(3.9)	(67,033)	(3.8)	(80,073)	(2.9)
Profit for the year	**151,945**	**16.7**	**283,080**	**16.0**	**355,674**	**12.7**
Attributable to:						
Owners of the parent	151,945	16.7	283,080	16.0	355,674	12.7

For details on the accounting treatment of special rights of Pre-**[REDACTED]** Investments, see "— Share Capital" below and Note 25 to the Accountants' Report set out in Appendix I to this document.

Non-HKFRS Measure

To supplement our consolidated financial statements that are presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRS. However, our presentation of adjusted net profit (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. We define adjusted net profit (non-HKFRS measure) as profit for the year adjusted by adding back (i) equity-settled share award expenses and (ii) **[REDACTED]**. Equity-settled share award expenses arise from granting share-based payment to selected employees, the amount of which is non-cash in nature. **[REDACTED]** primarily consist of professional fees associated with the **[REDACTED]** and the **[REDACTED]**.

The following table reconciles our adjusted net profit (non-HKFRS measure) for the years presented in accordance with HKFRS.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit for the year	151,945	283,080	355,674
Add:			
Equity-settled share award expenses	4,078	12,568	41,505
[REDACTED]	—	8,649	11,932
Adjusted net profit (non-HKFRS measure) for the year	**156,023**	**304,297**	**409,111**

Revenue

We derive revenue from sales of our products, consisting primarily of apparel, footwear, as well as equipment and accessories, substantially all within Chinese mainland as of the Latest Practicable Date. During the Track Record Period, our revenue experienced significant growth.

Revenue by Product Category

The following table sets forth a breakdown of our revenue by product category, both in absolute amounts and as percentages of total revenue, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Apparel	797,076	87.8	1,608,082	91.0	2,545,703	91.2
Hardshell jackets and pants	480,755	52.9	1,001,935	56.7	1,453,511	52.0
Down coats and pants	81,337	9.0	162,187	9.2	292,290	10.5
Softshell jackets and pants	50,560	5.6	119,120	6.7	241,633	8.7
Sun-proof clothing	77,923	8.6	104,756	5.9	150,035	5.4
Fleece coats and pants	39,679	4.4	74,216	4.2	102,627	3.7
Others(1)	66,822	7.3	145,868	8.3	305,607	10.9
Footwear	49,956	5.5	61,042	3.5	115,512	4.1
Equipment and accessories	61,036	6.7	96,978	5.5	131,773	4.7
Total	**908,068**	**100.0**	**1,766,102**	**100.0**	**2,792,988**	**100.0**

Note:

(1) Others encompassed a range of apparel types, mainly including quick-dry apparels. No single apparel category within others contributed in excess of 5% of our total revenue in each year during the Track Record Period.

Revenue by Sales Channels

The following table sets forth a breakdown of our revenue by sales channel, both in absolute amounts and as percentages of total revenue, for the years indicated. See "Business — Multi-Channel Sales and Distribution Network."

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Online Sales Channels						
Online DTC	573,777	63.2	1,029,125	58.2	1,472,217	52.7
Sales to e-commerce platforms	178,311	19.6	322,135	18.2	472,691	16.9
Offline Sales Channel						
Offline DTC	47,334	5.2	169,011	9.6	506,360	18.1
Distributorship	100,523	11.1	220,131	12.5	263,435	9.4
Others (e.g., wholesale group purchasing)	8,123	0.9	25,700	1.5	78,285	2.9
Total	**908,068**	**100.0**	**1,766,102**	**100.0**	**2,792,988**	**100.0**

During the Track Record Period, our revenue generated from online DTC sales channels achieved significant growth, primarily driven by (i) the increasingly diversified product offerings coupled with elevated average selling price and sales volumes, (ii) improved brand awareness and influence as a result of continued sales and marketing initiatives, and (iii) the increase in the number of online flagship stores from 47 as of December 31, 2023 to 58 as of December 31, 2024, and further to 77 as of December 31, 2025.

During the Track Record Period, our revenue generated from sales to e-commerce platforms achieved significant growth, primarily driven by (i) the increasingly diversified product offerings in tandem with elevated average selling price and sales volumes, and (ii) improved brand awareness and influence as a result of continued sales and marketing initiatives.

During the Track Record Period, our revenue generated from offline DTC sales channels achieved significant growth, primarily driven by (i) a broader and more refined product portfolio, along with growth in average selling price and sales volume, (ii) enhanced brand awareness and consumer recognition attributable to our ongoing sales and marketing efforts, and (iii) the expansion of our offline retail network, with the number of offline retail stores increasing from 77 as of December 31, 2023 to 146 as of December 31, 2024, and further to 230 as of December 31, 2025. For details, see "— Year to Year Comparison of Results of Operations — Year Ended December 31, 2025 Compared to Year Ended December 31, 2024 — Revenue," and "— Year Ended December 31, 2024 Compared to Year Ended December 31, 2023 — Revenue."

Revenue by Geographical Location

In 2023, 2024 and 2025, we derived the vast majority of our revenue from Chinese mainland. Our revenue from the largest overseas market, North America, did not exceed 0.3% in each year throughout the Track Record Period, and revenue from any other overseas markets was de minimis. The following table sets forth a breakdown of our revenue by geographical location, both in absolute amount and as percentage of total revenue, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Chinese mainland	896,064	98.7	1,757,569	99.5	2,784,956	99.7
North America	2,404	0.3	1,264	0.1	2,209	0.1
Europe	392	0.0	476	0.0	490	0.0
Other countries/regions[1]	9,208	1.0	6,793	0.4	5,333	0.2
Total	**908,068**	**100.0**	**1,766,102**	**100.0**	**2,792,988**	**100.0**

Note:

(1) Other countries/regions primarily include Oceania.

Cost of Sales

Our cost of sales mainly consists of (i) procurement costs, which include the costs of finished goods, raw materials, and contractual manufacturing, and (ii) logistics costs, representing the costs associated with product delivery. In 2023, 2024 and 2025, our cost of sales was RMB379.2 million, RMB713.1 million and RMB1,014.6 million, respectively, accounting for 41.8%, 40.4% and 36.3% of our total revenue in the corresponding year.

The following table sets forth a breakdown of our cost of sales by nature, both in absolute amounts and as percentages of total cost of sales, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Procurement costs	361,070	95.2	680,935	95.5	966,375	95.2
Costs of finished goods	46,640	12.3	246,717	34.6	423,656	41.7
Contractual manufacturing costs	152,811	40.3	246,717	34.6	298,684	29.4
Raw material costs	161,619	42.6	187,501	26.3	244,035	24.1
Logistics costs	18,081	4.8	32,104	4.5	48,228	4.8
Others	33	0.0	16	0.0	15	0.0
Total	**379,184**	**100.0**	**713,055**	**100.0**	**1,014,618**	**100.0**

The following table sets forth a breakdown of our cost of sales by product category, both in absolute amounts and as percentages of total cost of sales, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Apparel	330,439	87.1	645,971	90.6	908,524	89.5
Hardshell jackets and pants	202,586	53.4	421,010	59.0	556,388	54.8
Down coats and pants	31,138	8.2	63,813	8.9	103,381	10.2
Softshell jackets and pants	20,010	5.3	42,363	5.9	70,708	7.0
Sun-proof clothing	33,432	8.8	39,756	5.6	56,549	5.6
Fleece coats and pants	14,654	3.9	24,613	3.5	30,143	3.0
Others	28,619	7.5	54,416	7.7	91,355	8.9
Footwear	17,640	4.7	19,998	2.8	46,473	4.6
Equipment and accessories	31,105	8.2	47,086	6.6	59,621	5.9
Total	**379,184**	**100.0**	**713,055**	**100.0**	**1,014,618**	**100.0**

Gross Profit and Gross Profit Margin

As a result of the foregoing, in 2023, 2024 and 2025, our gross profit was RMB528.9 million, RMB1,053.0 million and RMB1,778.4 million, respectively. Our overall gross profit margin was 58.2%, 59.6% and 63.7% in the respective year during the Track Record Period. The following table sets forth our gross profit and gross profit margin by product category for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Apparel	466,637	58.5	962,111	59.8	1,637,179	64.3
Hardshell jackets and pants	278,169	57.9	580,925	58.0	897,123	61.7
Down coats and pants	50,199	61.7	98,374	60.7	188,909	64.6
Softshell jackets and pants	30,550	60.4	76,757	64.4	170,925	70.7
Sun-proof clothing	44,491	57.1	65,000	62.0	93,486	62.3
Fleece coats and pants	25,025	63.1	49,603	66.8	72,484	70.6
Others	38,203	57.2	91,452	62.7	214,252	70.1
Footwear	32,316	64.7	41,044	67.2	69,039	59.8
Equipment and accessories	29,931	49.0	49,892	51.4	72,152	54.8
Total	**528,884**	**58.2**	**1,053,047**	**59.6**	**1,778,370**	**63.7**

The following table sets forth our gross profit and gross profit margin by sales channels for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Online Sales Channels						
Online DTC	357,335	62.3	657,544	63.9	975,050	66.2
Sales to e-commerce platforms	90,021	50.5	172,400	53.5	274,178	58.0
Offline Sales Channel						
Offline DTC	33,699	71.2	119,483	70.7	365,285	72.1
Distributorship	44,044	43.8	92,615	42.1	131,145	49.8
Others (e.g., wholesale group purchasing)	3,785	46.6	11,005	42.8	32,712	41.8
Total	**528,884**	**58.2**	**1,053,047**	**59.6**	**1,778,370**	**63.7**

Other Income and Gains, Net

Our other income and gains, net primarily consist of (i) government grants in relation to tax return policies, (ii) bank interest income, and (iii) investment income, representing the proceeds from wealth management products. In 2023, 2024 and 2025, our other income and gains, net amounted to RMB21.9 million, RMB55.8 million and RMB41.0 million, respectively, accounting for 2.4%, 3.2% and 1.5% of our total revenue in the corresponding year.

The following table sets forth a breakdown of our other income and gains, net, both in absolute amounts and as percentages of total other income and gains, net, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Other income						
Government grants(1)	19,556	89.2	50,629	90.7	34,468	84.1
Bank interest income	136	0.6	1,243	2.2	2,507	6.1
Others	1,969	9.0	2,046	3.7	1,883	4.6
Subtotal	**21,661**	**98.8**	**53,918**	**96.6**	**38,858**	**94.8**
Gains, net						
Gain on termination of leases(2)	—	—	482	0.9	63	0.2
Investment Income(3)	265	1.2	1,401	2.5	2,075	5.1
Subtotal	**265**	**1.2**	**1,883**	**3.4**	**2,138**	**5.2**
Total other income and gains, net	**21,926**	**100.0**	**55,801**	**100.0**	**40,996**	**100.0**

Notes:

(1) As of the Latest Practicable Date, there were no unfulfilled conditions relating to these government grants. In general, these government grants are recurring in nature and we were able to extend the applicability of such government grants during the Track Record Period and up to the Latest Practicable Date.

(2) Gain on termination of leases primarily refers to the net gains recognized when we terminate lease agreements before their contractual expiration dates. Upon early termination of a lease, we derecognize the associated right-of-use asset and lease liability. The difference between the carrying amount of the lease liability and the

net book value of the right-of-use asset at the time of termination is recognized as a gain or loss. A gain is recorded when the lease liability derecognized exceeds the carrying amount of the corresponding right-of-use asset.

(3) Investment income refers to the income generated from wealth management products purchased by us.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) advertising and promotion expenses, including advertising fees, promotion fees, expenses incurred on marketing campaigns, influencer collaborations, and endorsement fees, (ii) platform service fees, including commissions, and service fees paid to e-commerce and content platforms, (iii) employee salaries and benefits, including salaries, benefits, and bonuses in relation to our sales personnel, and (iv) store operation expenses, primarily including commissions and operation expenses associated with our partnership retail stores and self-operated stores. In 2023, 2024 and 2025, our selling and distribution expenses amounted to RMB277.2 million, RMB586.5 million and RMB1,058.7 million, respectively, accounting for 30.5%, 33.2% and 37.9% of our total revenue in the corresponding year.

The following table sets forth a breakdown of our selling and distribution expenses, in absolute amounts and as percentages of total selling and distribution expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Advertising and promotion expenses	170,061	61.4	358,912	61.2	551,237	52.1
Platform service fees	42,242	15.2	74,487	12.7	114,330	10.8
Employee salaries and benefits	36,716	13.2	58,883	10.0	87,991	8.3
Store operation expenses	19,677	7.1	70,844	12.1	260,350	24.6
Others[(1)]	8,479	3.1	23,374	4.0	44,758	4.2
Total	**277,175**	**100.0**	**586,500**	**100.0**	**1,058,666**	**100.0**

Note:

(1) Others primarily include depreciation, amortization and travel expenses.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee salaries and benefits, including salaries, social insurances, employee benefits, and share-based compensation for administrative personnel, (ii) R&D expenses incurred for R&D personnel employment and R&D activities, (iii) service fees, covering a variety of outsourced services such as labor, recruitment, consulting, and technical support, (iv) **[REDACTED]**, primarily incurred for the **[REDACTED]** and **[REDACTED]**, (v) depreciation and amortization costs, primarily related to office equipment and leased properties, and (vi) office expenses incurred in the course of daily operations. Our administrative expenses were RMB64.9 million, RMB132.6 million and RMB255.4 million in 2023, 2024 and 2025, accounting for 7.2%, 7.5% and 9.1% of our total revenue, respectively.

The following table sets forth a breakdown of our administrative expenses, both in absolute amounts and as percentages of our total administrative expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee salaries and benefits	29,098	44.8	58,755	44.3	107,392	42.0
R&D expenses	19,751	30.4	31,463	23.7	73,962	29.0
Service fees	3,481	5.4	11,994	9.1	19,140	7.5
[REDACTED]	—	—	8,649	6.5	11,932	4.7
Depreciation and amortization costs	5,084	7.8	7,602	5.7	15,836	6.2
Office expenses	1,932	3.0	2,786	2.1	5,179	2.0
Others(1)	5,597	8.6	11,329	8.6	21,987	8.6
Total	**64,943**	**100.0**	**132,578**	**100.0**	**255,428**	**100.0**

Note:

(1) Others primarily include decoration expenses, taxes and surcharges, as well as travel and entertainment expenses.

Other Expenses

Our other expenses primarily consist of (i) impairment losses on assets, primarily including inventory impairment loss, (ii) donations in relation to public interest initiatives, and (iii) others. In 2023, 2024 and 2025, our other expenses amounted to RMB18.8 million, RMB37.8 million and RMB67.8 million, respectively, accounting for 2.1%, 2.1% and 2.4% of our total revenue in the corresponding year.

The following table sets forth a breakdown of other expenses, both in absolute amounts and as percentages of total other expenses, for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Impairment losses on assets	16,946	90.1	34,246	90.6	52,718	77.8
Donations	1,706	9.1	2,010	5.3	7,436	11.0
Others(1)	158	0.8	1,559	4.1	7,614	11.2
Total	**18,810**	**100.0**	**37,815**	**100.0**	**67,768**	**100.0**

Note:

(1) Others primarily include profit and loss from disposal of assets and other expenses due to changes in exchange rates.

Finance Costs

Our finance costs primarily include interest on lease liabilities and bank borrowings. We recorded finance costs of RMB1.7 million, RMB1.8 million and RMB1.5 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our finance costs for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Interest on lease liabilities	609	34.8	1,025	55.4	1,452	100.0
Interest on bank borrowings	1,139	65.2	824	44.6	—	0.0
Total	**1,748**	**100.0**	**1,849**	**100.0**	**1,452**	**100.0**

Income Tax Expenses

Our income tax includes current income tax and deferred income tax. In 2023, 2024 and 2025, we recorded income tax expenses of RMB35.8 million, RMB67.0 million and RMB80.1 million, respectively. The effective tax rate was 19% for each of the year ended December 31, 2023 and 2024, and it was 18% for the year ended December 31, 2025.

The following table sets forth a breakdown of our income tax expenses during the Track Record Period.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	38,047	75,315	97,092
Deferred income tax	(2,287)	(8,282)	(17,019)
Total	**35,760**	**67,033**	**80,073**

The following table reconciles our current income tax for the year presented to our income tax payment in the same year.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax (a)	38,047	75,315	97,092
Beginning balance of tax payables (b)	10,698	35,435	63,821
Ending balance of tax payables (c)	35,435	63,821	66,829
Changes in tax payables (d = c-b)	24,737	28,386	3,008
Others[(1)] (e)	(488)	2	(210)
Income tax paid (f = a-d-e)	13,798	46,927	94,294

Note:

(1) Others primarily include income tax prepayments for the current year.

Pursuant to the EIT Law, the subsidiaries which operate in Chinese mainland are subject to corporate income tax at a rate of 25% on the taxable income. Our Company qualified as a high-tech enterprise and was entitled to a preferential enterprise income tax rate of 15% during the Track Record Period. Our Company is entitled to the preferential enterprise income tax rate of 15% for another three consecutive years from October 2024. For details, see Note 10 to the Accountants' Report in Appendix I to this document.

During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities. As advised by our PRC Legal Advisor, based on the tax certificates issued by the tax authorities and the credit reports issued by the relevant competent authorities, during the Track Record Period, we and our PRC subsidiaries had not been subject to any administrative penalties imposed by the tax authorities.

Profits for the Year

We recorded a net profit of RMB151.9 million, RMB283.1 million and RMB355.7 million in 2023, 2024 and 2025, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 58.1% from RMB1,766.1 million for the year ended December 31, 2024 to RMB2,793.0 million for the year ended December 31, 2025. Specifically, (i) our revenue from sales of apparel increased significantly by 58.3% from RMB1,608.1 million in 2024 to RMB2,545.7 million in 2025; (ii) our revenue from sales in footwear increased by 89.2% from RMB61.0 million in 2024 to RMB115.5 million in 2025; and (iii) our revenue from sales of equipment and accessories increased by 35.9% from RMB97.0 million in 2024 to RMB131.8 million in 2025.

The year-on-year growth in the overall revenue was primarily driven by the following factors:

- our increasingly diversified product portfolio with elevated average selling price and sales volume, especially in the apparel category. In 2025, we launched 399 new SPUs, which accounted for 23.4% of our total revenue in the same year. These new SPUs notably include our signature products, such as Light Shield Professional Edition and Little Forest 2.0, which are designed to cater to different consumer preferences. With our increasingly diverse product portfolio tailored to different seasons, we are able to provide consumers with a broader selection of options while also boosting overall product sales. In 2025, we also achieved both higher average selling prices and increased sales volumes across all major product categories compared to 2024. Specifically, (i) for apparel, the average selling price rose from RMB299 in 2024 to RMB339 in 2025, while the sales volume grew from 5.4 million units in 2024 to 7.5 million units in 2025; (ii) for footwear, the average selling price increased from RMB305 in 2024 to RMB348 in 2025, with the sales volume expanding from 200 thousand units in 2024 to 332 thousand units in 2025; and (iii) for equipment and accessories, the average selling price climbed from RMB36 in 2024 to RMB42 in 2025, accompanied by sales volume growth from 2.7 million units in 2024 to 3.1 million units in 2025.

- our heightened brand awareness, fueled by relentless sales and marketing initiatives. We have partnered with Tibet Cultural Tourism to integrate cultural and tourism resources, creating new opportunities for consumer growth. Additionally, we sponsored and organized the Nepal Summiteers Summit 2025 to reinforce our brand visibility and reputation within the professional athlete community.

- our strategically expanded multi-channel sales network to reach a broader consumer base, supported by our expanding online presence and the gradual increase in the number of our offline retail stores. Specifically, the respective number of our online flagship stores increased from 58 as of December 31, 2024 to 77 as of December 31, 2025. Notably, our offline retail stores increased from 146 as of December 31, 2024 to 230 as of December 31, 2025.

Cost of Sales

Our cost of sales increased by 42.3% from RMB713.1 million in 2024 to RMB1,014.6 million in 2025, primarily driven by increased sales of products.

Our procurement costs increased by 41.9% from RMB680.9 million in 2024 to RMB966.4 million in 2025, which was aligned with our revenue growth during the year. Our procurement costs as a percentage of our cost of sales remained relatively stable in 2024 and 2025, with the number reaching 95.5% and 95.2%, respectively. Moreover, our logistics costs increased by 50.2% from RMB32.1 million in 2024 to RMB48.2 million in 2025, primarily driven by our increasing demand for logistics services in line with our sales growth. Our logistics costs as a percentage of our cost of sales remained relatively stable in 2024 and 2025, with the number standing at 4.5% and 4.8%, respectively.

In particular, among the procurement costs, our costs of finished goods increased significantly from RMB246.7 million in 2024 to RMB423.7 million in 2025, with their percentage as a part of our total cost of sales increasing from 34.6% in 2024 to 41.7% in 2025. Our contractual manufacturing costs increased by 21.1% from RMB246.7 million in 2024 to RMB298.7 million in 2025, with their percentage as a part of our total cost of sales decreasing from 34.6% in 2024 to 29.4% in 2025; and our raw material costs increased by 30.2% from RMB187.5 million in 2024 to RMB244.0 million in 2025, with their percentage out of our total cost of sales decreasing from 26.3% in 2024 to 24.1% in 2025. The aforementioned increasing proportion of costs of finished goods and the corresponding decrease in the proportions of contractual manufacturing costs and raw material costs reflected our strategic supply chain adjustments, which primarily stemmed from two key factors: (i) we have expanded our procurement of finished goods for certain product lines to mitigate supply chain risks (e.g., those related to the quality of raw materials), enhancing our operational stability; and (ii) as our quality requirements grew with business expansion, we have engaged more mid-to-large suppliers who typically require finished goods procurement. However, we continue working with smaller processors where appropriate, maintaining flexibility in our supply chain strategy.

Gross Profit and Gross Profit Margin

Our gross profit increased by 68.9% from RMB1,053.0 million for the year ended December 31, 2024 to RMB1,778.4 million for the year ended December 31, 2025. Specifically, (i) the gross profit of our apparel category increased by 70.2% from RMB962.1 million in 2024 to RMB1,637.2 million in 2025, (ii) the gross profit of our footwear category increased by 68.2% from RMB41.0 million in 2024 to RMB69.0 million in 2025, and (iii) the gross profit of our equipment and accessories category increased by 44.6% from RMB49.9 million in 2024 to RMB72.2 million in 2025. Such increases in our overall gross profit and the gross profit of each category were primarily driven by our expanded business operations and were consistent with our revenue growth during the year.

Our overall gross profit margin increased from 59.6% for the year ended December 31, 2024 to 63.7% for the year ended December 31, 2025. Such increases were primarily driven by our strengthened pricing power and effective control over procurement costs, alongside increased sales of products with higher gross profit margins, such as softshell jackets and pants, fleece coats and pants, as well as down coats and pants. Specifically, (i) the gross profit margin of the apparel category was 59.8% in 2024 and 64.3% in 2025, (ii) the gross profit margin of the equipment and accessories category was 51.4% in 2024 and 54.8% in 2025. In addition, the increase in our overall gross profit margin is also attributable to the increase in gross profit margin from various sales channels, including (i) the gross profit margin from online DTC channels increased from 63.9% in 2024 to 66.2% in 2025, primarily because we strategically adjusted our product portfolio to include more products with higher gross profit margins; and (ii) the gross profit margin from our offline DTC channel increased from 70.7% in 2024 to 72.1% in 2025, primarily driven by our continued expansion of offline presence and the strategic launch of additional new products offline, including a higher proportion of higher-margin offerings.

Other Income and Gains, Net

Our other income and gains, net decreased by 26.5% from RMB55.8 million for the year ended December 31, 2024 to RMB41.0 million for the year ended December 31, 2025, primarily due to a decrease of RMB16.2 million in government grants, partially offset by an increase in bank interest income.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 80.5% from RMB586.5 million for the year ended December 31, 2024 to RMB1,058.7 million for the year ended December 31, 2025, primarily attributable to (i) an increase of RMB192.3 million in advertising and promotion expenses, as we increased spending on marketing for newly launched SPUs and influencer partnerships, (ii) an increase of RMB189.5 million in store operation expenses, primarily due to our expanded offline retail store networks, (iii) an increase of RMB39.8 million in platform service fees, primarily driven by our increased sales through online sales channels, and (iv) an increase of RMB29.1 million in employee salaries and benefits, which was driven by our increased sales team to support business growth.

Administrative Expenses

Our administrative expenses increased significantly from RMB132.6 million for the year ended December 31, 2024 to RMB255.4 million for the year ended December 31, 2025, primarily attributable to (i) an increase of RMB48.6 million in employee salaries and benefits, primarily attributable to increased administrative staff and higher average salaries, (ii) an increase of RMB42.5 million in R&D expenses, mainly due to our increased R&D personnel and higher designing fees associated with our continuous innovation, (iii) an increase of RMB8.2 million in depreciation and amortization costs related to office equipment and leased properties, and (iv) an increase of RMB7.1 million in service fees, primarily due to the increasing demand for business growth.

Other Expenses

Our other expenses increased by 79.2% from RMB37.8 million for the year ended December 31, 2024 to RMB67.8 million for the year ended December 31, 2025, mainly attributable to (i) an increase of RMB18.5 million in impairment losses on assets and provisions for expected credit losses, (ii) an increase of RMB6.1 million in others primarily resulting from the loss on the disposal of buildings, and (iii) an increase of RMB5.4 million in donation for public interest initiatives.

Finance Costs

Our finance costs remained relatively stable at RMB1.8 million and RMB1.5 million for the year ended December 31, 2024 and 2025, respectively.

Income Tax Expense

Our income tax expense increased by 19.5% from RMB67.0 million for the year ended December 31, 2024 to RMB80.1 million for the year ended December 31, 2025, which was due to an increase in taxable income.

Profit for the Year

For the foregoing reasons, our profit for the year increased by 25.6% from RMB283.1 million for the year ended December 31, 2024 to RMB355.7 million for the year ended December 31, 2025.

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

Revenue

Our revenue increased by 94.5% from RMB908.1 million for the year ended December 31, 2023 to RMB1,766.1 million for the year ended December 31, 2024. Specifically, (i) our revenue from sales of apparel increased significantly from RMB797.1 million in 2023 to RMB1,608.1 million in 2024; (ii) our revenue from sales in footwear increased by 22.2% from RMB50.0 million in 2023 to RMB61.0 million in 2024; and (iii) our revenue from sales of equipment and accessories increased by 58.9% from RMB61.0 million in 2023 to RMB97.0 million in 2024.

The year-on-year growth in the overall revenue was primarily driven by the following factors:

- our increasingly diversified product portfolio with elevated average selling price and sales volume, especially in the apparel category. In 2024, we launched 364 new SPUs, which accounted for 30.3% of our total revenue in the same year. These new SPUs notably include our signature POLARIS hardshell jacket and Mountain Shell (山殼) hardshell pants, which are designed to cater to different consumer preferences. With our increasingly diversified product portfolio, we are not only able to offer consumers a broader range of options but also drive higher overall product sales. In 2024, we also achieved both higher average selling prices and increased sales volumes across all major product categories compared to 2023. Specifically, (i) for apparel, the average selling price rose from RMB230 in 2023 to RMB299 in 2024, while the sales volume grew from 3.5 million units in 2023 to 5.4 million units in 2024; (ii) for footwear, the average selling price increased from RMB287 in 2023 to RMB305 in 2024, with the sales volume expanding from 174 thousand units in 2023 to 200 thousand units in 2024; and (iii) for equipment and accessories, the average selling price climbed from RMB34 in 2023 to RMB36 in 2024, accompanied by sales volume growth from 1.8 million units in 2023 to 2.7 million units in 2024.

- our heightened brand awareness, fueled by relentless sales and marketing initiatives. In October 2024, we announced Cheng Yi (成毅) as our new brand ambassador and launched the campaign "Cheng Yi Welcomes You to Nature" (與成毅一起奔赴自然). Within just 14 hours of this announcement, the campaign generated approximately 1.0 billion views and 200.0 million interactions across all online platforms, and our online GMV exceeded RMB60.0 million. In 2024, we also conducted other social media campaigns, which were strategically scheduled to coincide with product launches and promotional periods. Based on internal tracking and third-party analytics, we observed increased user engagement and online traffic during these campaigns, which contributed to a measurable uplift in our sales performance. For example, we participated in Douyin's Super Brand Day (超級品牌日) campaign in September 2024 and generated over 100.9 million views and over 3.3 million interactions for the same month on Douyin, and our online GMV from Douyin for September 2024 reached approximately RMB188.6 million.

- our strategically expanded multi-channel sales network to reach a broader consumer base, supported by our expanding online presence and the gradual increase in the number of our offline retail stores. Specifically, the respective number of our online flagship stores increased from 48 as of December 31, 2023 to 58 as of December 31, 2024. Meanwhile, our offline retail stores nearly doubled from 77 as of December 31, 2023 to 146 as of December 31, 2024.

Cost of Sales

Our cost of sales increased by 88.0% from RMB379.2 million for the year ended December 31, 2023 to RMB713.1 million for the year ended December 31, 2024, primarily driven by increased sales of products.

Our procurement costs increased by 88.6% from RMB361.1 million in 2023 to RMB680.9 million in 2024, which was aligned with our revenue growth during the year. Our procurement costs as a percentage of our cost of sales remained stable in 2023 and 2024, with the number reaching 95.2% and 95.5%, respectively. Moreover, our logistics costs increased by 77.6% from RMB18.1 million in 2023 to RMB32.1 million in 2024, primarily driven by our increasing demand for logistics services to fulfill our delivery needs. Our logistics costs as a percentage of our cost of sales remained stable in 2023 and 2024, with the number standing at 4.8% and 4.5%, respectively.

Our costs of finished goods increased significantly from RMB46.6 million in 2023 to RMB246.7 million in 2024, with their percentage as a part of our total cost of sales increasing from 12.3% in 2023 to 34.6% in 2024. In contrast, our contractual manufacturing costs increased by 61.5% from RMB152.8 million in 2023 to RMB246.7 million in 2024, with their percentage as a part of our total cost of sales decreasing from 40.3% in 2023 to 34.6% in 2024; and our raw material costs increased by 16.0% from RMB161.6 million in 2023 to RMB187.5 million in 2024, with their percentage as a part of our total cost of sales decreasing from 42.6% in 2023 to 26.3% in 2024. The aforementioned increasing proportion of costs of finished goods and the corresponding decrease in the proportions of contractual manufacturing costs and raw material costs reflected our strategic supply chain adjustments, which primarily stemmed from two key factors: (i) we have expanded our procurement of finished goods for certain product lines to mitigate supply chain risks (e.g., those related to the quality of raw materials), enhancing our operational stability; and (ii) as our quality requirements grew with business expansion, we have engaged more mid-to-large suppliers who typically require finished goods procurement. However, we continue working with smaller processors where appropriate, maintaining flexibility in our supply chain strategy.

Gross Profit and Gross Profit Margin

Our gross profit increased by 99.1% from RMB528.9 million for the year ended December 31, 2023 to RMB1,053.0 million for the year ended December 31, 2024. Specifically, (i) the gross profit of our apparel category increased by 106.2% from RMB466.6 million in 2023 to RMB962.1 million in 2024, (ii) the gross profit of our footwear category increased by 27.0% from RMB32.3 million in 2023 to RMB41.0 million in 2024, and (iii) the gross profit of our equipment and accessories category increased by 66.7% from RMB29.9 million in 2023 to RMB49.9 million in 2024. Such increases in our overall gross profit and the gross profit of each category were primarily driven by our expanded business operations and were consistent with our revenue growth during the year.

Our overall gross profit margin increased from 58.2% for the year ended December 31, 2023 to 59.6% for the year ended December 31, 2024. Such increases were primarily driven by our strengthened pricing power and effective control over procurement costs, alongside increased sales of products with higher gross profit margins, such as various products within our Performance and Mountain series. Specifically, (i) the gross profit margin of the apparel category was 58.5% in 2023 and 59.8% in 2024, (ii) the gross profit margin of the footwear category was 64.7% in 2023 and 67.2% in 2024, and (iii) the gross profit margin of the equipment and accessories category was 49.0% in 2023 and 51.4% in 2024. In addition, the increase in our overall gross profit margin is also attributable to the increase in gross profit margin from the online sales channels, particularly from sales to e-commerce platforms. The gross profit margin from sales to e-commerce platforms increased from 50.5% in 2023 to 53.5% in 2024. This is primarily because we strategically adjusted our product portfolio sold to e-commerce platforms to include more products with higher gross profit margins, such as autumn and winter apparel.

Other Income and Gains, Net

Our other income and gains, net increased by 154.5% from RMB21.9 million for the year ended December 31, 2023 to RMB55.8 million for the year ended December 31, 2024, primarily due to an increase in government grants we received from local authorities in the form of industrial support funds and government incentives to support our operation.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 111.6% from RMB277.2 million for the year ended December 31, 2023 to RMB586.5 million for the year ended December 31, 2024, primarily attributable to (i) an increase of RMB188.9 million in advertising and promotion expenses, as we invested more in marketing campaigns, influencer collaborations, and endorsement fees to enhance brand visibility, (ii) an increase of RMB51.2 million in store operation expenses, primarily driven by our expanded operations via offline DTC sales channels, (iii) an increase of RMB32.2 million in platform service fees, which was driven by our expanded operations via online sales channels, and (iv) an increase of RMB22.2 million in employee salaries and benefits, primarily due to the expansion of our sales team to support the business growth.

Administrative Expenses

Our administrative expenses increased by 104.1% from RMB64.9 million for the year ended December 31, 2023 to RMB132.6 million for the year ended December 31, 2024, primarily attributable to (i) an increase of RMB29.7 million in employee salaries and benefits, primarily attributable to the expansion of our administrative team along with a rise in average salary and social insurance per employee, (ii) an increase of RMB8.5 million in service fees, mainly due to the higher labor service fees we incurred to satisfy our increased labor needs, (iii) an increase of RMB11.7 million in R&D expenses, primarily driven by our higher investment in product development and technology upgrades to enhance product competitiveness, and (iv) we incurred RMB8.6 million of **[REDACTED]**, primarily associated with our proposed **[REDACTED]**.

Other Expenses

Our other expenses increased by 101.0% from RMB18.8 million for the year ended December 31, 2023 to RMB37.8 million for the year ended December 31, 2024, mainly attributable to the increased impairment losses on assets as a result of inventory write-downs.

Finance Costs

Our finance costs remained relatively stable at RMB1.7 million for the year ended December 31, 2023 and RMB1.8 million for the year ended December 31, 2024.

Income Tax Expense

Our income tax expense increased by 87.5% from RMB35.8 million for the year ended December 31, 2023 to RMB67.0 million for the year ended December 31, 2024, which was due to an increase in taxable income.

Profit for the Year

For the foregoing reasons, our profit for the year increased by 86.3% from RMB151.9 million for the year ended December 31, 2023 to RMB283.1 million for the year ended December 31, 2024.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from our audited consolidated financial statements included in Appendix I to this document.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total non-current assets	59,440	140,176	260,896
Total current assets	576,213	1,295,621	2,229,296
Total assets	**635,653**	**1,435,797**	**2,490,192**
Total current liabilities	287,445	497,980	872,365
Total non-current liabilities	2,975	19,363	30,265
Total liabilities	**290,420**	**517,343**	**902,630**
Net assets	**345,233**	**918,454**	**1,587,562**
Net current assets	**288,768**	**797,641**	**1,356,931**
Share capital	53,091	60,011	67,322
Reserves	292,142	858,443	1,520,240
Total equity	**345,233**	**918,454**	**1,587,562**

For details on the accounting treatment of special rights of Pre-**[REDACTED]** Investments, see "— Share Capital" below and Note 25 to the Accountants' Report set out in Appendix I to this document.

Current Assets and Liabilities

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*
Current Assets				
Inventories	238,186	595,090	869,966	1,216,677
Trade receivables	103,575	232,258	458,840	349,616
Financial assets at FVTPL	140,794	—	30,000	—
Prepayments, other receivables and other assets	42,594	102,096	148,914	193,210
Restricted cash and pledged deposits	4	12,010	8,332	13,612
Cash and cash equivalents	51,060	354,167	713,244	392,763
Total current assets	**576,213**	**1,295,621**	**2,229,296**	**2,165,878**
Current Liabilities				
Trade and bills payables	160,474	274,906	472,673	404,335
Other payables and accruals	78,713	153,659	318,342	307,229
Interest-bearing bank borrowing	8,000	—	—	—
Lease liabilities	4,823	5,594	14,521	16,580
Tax payables	35,435	63,821	66,829	41,093
Dividend payables	—	—	—	7,921
Total current liabilities	**287,445**	**497,980**	**872,365**	**777,158**
Net Current Assets	**288,768**	**797,641**	**1,356,931**	**1,388,720**

We recorded net current assets of RMB288.8 million, RMB797.6 million, RMB1,356.9 million and RMB1,388.7 million as of December 31, 2023, 2024 and 2025, and March 31, 2026 respectively.

Our net current assets increased from RMB288.8 million as of December 31, 2023 to RMB797.6 million as of December 31, 2024, reflecting an increase in our current assets, primarily including (i) an increase in inventories from RMB238.2 million to RMB595.1 million, which was in line with our continued business growth, (ii) an increase in cash and cash equivalents from RMB51.1 million to RMB354.2 million, primarily due to the redemption of wealth management products, the recovery of bank notice deposits, and the proceeds from equity financing in August 2024, and (iii) an increase in trade receivables from RMB103.6 million to RMB232.3 million, mainly due to the increased products sales driven by business expansion, including the fast growth of our sales to e-commerce platforms, and the increased product sales through offline stores with the revenue recognized at a later stage due to settlement delays with shopping malls. These increases were partially offset by an increase in our current liabilities, including an increase in trade and bills payables from RMB160.5 million to RMB274.9 million, primarily driven by an increase in payables to contractual manufacturers and raw material suppliers, driven by business growth.

Our net current assets increased from RMB797.6 million as of December 31, 2024 to RMB1,356.9 million as of December 31, 2025, reflecting an increase in our current assets, primarily including (i) an increase in cash and cash equivalents from RMB354.2 million to RMB713.2 million, mainly attributable to the proceeds from issue of new shares and net cash flows generated from our daily operations, (ii) an increase in inventories from RMB595.1 million to

RMB870.0 million, mainly driven by anticipated sales growth and the expansion of offline stores, and (iii) an increase in trade receivables from RMB232.3 million to RMB458.8 million, mainly driven by our increased product sales.

Our net current assets increased from RMB1,356.9 million as of December 31, 2025 to RMB1,388.7 million as of March 31, 2026, reflecting a slight decrease in our current assets, primarily including a decrease in cash and cash equivalents from RMB713.2 million to RMB392.8 million, primarily driven by proactive inventory build-up in preparation for the upcoming sales season and the partial payment of dividends to our then shareholders in accordance with the resolution approved at the shareholders' meeting held in February 2026, partially offset by an increase in inventories from RMB870.0 million to RMB1,216.7 million, mainly attributable to inventory build-up to support our business expansion and sales activities. This was further adjusted by a decrease in our current liabilities at a faster pace, including a decrease of trade and bills payables from RMB472.7 million to RMB404.3 million as we settled with our suppliers.

Inventories

Our inventories primarily consist of raw materials and finished goods. The following table sets forth details of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	75,736	89,297	146,209
Finished goods	199,543	563,707	804,678
	275,279	653,004	950,887
Provision for impairment of inventories	(37,093)	(57,914)	(80,921)
Total	**238,186**	**595,090**	**869,966**

Our inventories increased significantly from RMB238.2 million as of December 31, 2023 to RMB595.1 million as of December 31, 2024 and further increased to RMB870.0 million as of December 31, 2025, which was primarily due to the increased finished goods in line with our continued business growth. Our provision for impairment losses was RMB37.1 million, RMB57.9 million and RMB80.9 million as of December 31, 2023, 2024 and 2025, respectively. These provisions for impairment losses of inventories were primarily for unsold off-season inventories and in-season defective products.

The following is 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 1 year	215,313	78.2	571,089	87.5	759,039	79.8
1 to 2 years	33,335	12.1	50,000	7.7	153,251	16.1
2 to 3 years	18,281	6.6	16,498	2.5	21,616	2.3
Over 3 years	8,350	3.1	15,417	2.3	16,981	1.8
Total	**275,279**	**100.0**	**653,004**	**100.0**	**950,887**	**100.0**

The following table sets forth our inventory turnover days during the years indicated:

	For the year ended December 31,		
	2023	2024	2025
Inventory turnover days[(1)]	189	213	264

Note:

(1) Inventory turnover days for each year equals the average inventories at the beginning and the end of the year divided by cost of sales for that year and multiplied by 365 days.

In 2023, 2024 and 2025, our average inventory turnover days were approximately 189 days, 213 days and 264 days, respectively. The increase in turnover days from 2023 to 2025 was mainly attributable to an increase in inventory reserves to support our expanding sales channels and a more diverse product mix. Our inventory turnover days rose from 189 days in 2023 to 213 days in 2024, mainly due to our strategic stocking up ahead of the Chinese New Year and higher sales forecasts aligned with our business expansion. Our inventory turnover days further rose from 213 days in 2024 to 264 days in 2025, mainly due to our strategic inventory reserves in anticipation of sales growth in the following year, particularly for our offline retail store expansion. According to Frost & Sullivan, our inventory turnover days are in line with the industry norm, which generally ranges from 100 days to 300 days depending on business model.

We have implemented comprehensive inventory management policies and practices to maintain optimal stock levels while minimizing inventory risks. Our inventory control system integrates real-time sales data, seasonal forecasts, and historical trends to guide procurement planning and stock allocation. See "Business — Inventory Control."

As of March 31, 2026, RMB389.5 million, or 42.5%, of our inventories as of December 31, 2025 had been sold or utilized. During the Track Record Period, we recorded inventory impairment losses of RMB16.9 million, RMB34.2 million and RMB52.7 million in 2023, 2024 and 2025, respectively. These impairments were made as part of our regular assessment of the net realizable value of inventories in accordance with our inventory management policy. As of the Latest Practicable Date, based on such assessments, we had not identified any material obsolete or slow-moving inventory that would raise significant recoverability concerns, as we believe we have made sufficient inventory impairment reserve.

We have not experienced any noticeable decreases in selling prices. Considering this factor, market developments and our business plan, we believe that sufficient provision had been made against our inventories as of December 31, 2025.

Trade Receivables

Our trade receivables were primarily related to our sales to major e-commerce platform partners and sales through offline stores. We usually grant a credit period of 60 days to 90 days to e-commerce platforms. Our trade receivables generated from offline stores are collected according to agreed payment schedules with shopping malls, with a credit period ranging from 45 days to 60 days. The following table sets forth details of our trade receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	105,213	233,851	459,696
Loss allowance	(1,638)	(1,593)	(856)
Net Carrying Amount	**103,575**	**232,258**	**458,840**

Our trade receivables increased from RMB103.6 million as of December 31, 2023 to RMB232.3 million as of December 31, 2024, and further increased to RMB458.8 million as of December 31, 2025, mainly due to (i) the increased product sales driven by business expansion, particularly the fast growth of our sales to e-commerce platforms, such as JD.com and VIP.com, and (ii) the increased product sales through offline stores, with the revenue recognized at a later stage due to settlement delays with shopping malls.

The following is 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 3 months	100,744	229,508	456,201
3 to 6 months	1,394	1,519	2,403
6 to 12 months	268	1,020	213
1 to 2 years	1,169	211	23
Total	**103,575**	**232,258**	**458,840**

During the Track Record Period, a substantial majority of our trade receivables were aged within three months. Our loss allowance for trade receivables was RMB1.6 million, RMB1.6 million and RMB0.9 million as of December 31, 2023, 2024 and 2025, respectively.

The following table sets forth the movements of our loss allowance for trade receivables for the years indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of the year	1,227	1,638	1,593
Impairment/(reversal of impairment) of trade receivables, net	411	(45)	188
Amount written off as uncollectible	—	—	(925)
At end of the year	1,638	1,593	856

The following table sets forth our trade receivables turnover days for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
Trade receivables turnover days(1)	31	35	45

Note:

(1) Trade receivables turnover days for each year equals the average trade receivables at the beginning and the end of the year divided by revenue for that year and multiplied by 365 days (for a year).

In 2023, 2024 and 2025, our average trade receivables turnover days were approximately 31 days, 35 days and 45 days, respectively. Our trade receivables turnover days increased slightly from 31 days in 2023 to 35 days in 2024, and further to 45 days in 2025, primarily due to the expansion of our offline store network, where settlement periods are relatively longer.

As of March 31, 2026, RMB291.8 million, or 63.5% of our trade receivables outstanding as of December 31, 2025 had been subsequently collected, reflecting continuous cash collection from major customers. We have reviewed the aging analysis, subsequent settlement progress and historical payment record of major customers. Based on our assessment, the recoverability of the outstanding trade receivables remains sound, and no material recoverability risk has been identified.

Financial Assets at FVTPL

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Wealth management products	140,794	—	30,000

Our financial assets at FVTPL as of December 31, 2023, 2024 and 2025 amounted to RMB140.8 million, nil and RMB30.0 million, respectively. Our financial assets at FVTPL represent our investments in wealth management products, which are level 2 financial assets of our Group. See Note 20 to the Accountants' Report included in Appendix I to this document.

The decrease from RMB140.8 million as of December 31, 2023 to nil in financial assets at FVTPL as of December 31, 2024 was primarily attributable to the redemption of wealth management products.

We have established management systems that specify the approval authority, information disclosure, authorization management, operation processes, financial accounting, supervision and risk control procedures of our wealth management activities, so as to standardize our financial product investments. The types of wealth management products we choose are low-risk products with high safety and good liquidity. Adhering to prudent investment principles, we conduct investment activities with an aim to improve capital utilization efficiency and investment returns on cash assets. Our finance department manages our wealth management portfolio, primarily including the preparation of our annual wealth management plan, handling wealth management products, and conducting daily management and accounting procedures. Our internal audit department maintains daily oversight of wealth management products, including full-process audits, reviewing the approval, implementation, and performance of wealth management products. In addition, we adhere to all applicable laws, regulations, and management policies regarding the proper disclosure of investment information.

After **[REDACTED]**, our investments in financial products will be subject to compliance with Chapter 14 of the Listing Rules.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments, including prepaid service fees, courier fees, and purchase payments, (ii) right-of-return assets, representing right to recover products expected to be returned by customers, (iii) deposits and other receivables, (iv) recoverable value-added tax ("VAT"), and (v) **[REDACTED]**, and (vi) prepaid income tax. Our product sales are subject to VAT in Chinese mainland. Under the PRC law, input VAT on purchases can be deducted from output VAT payable. Our recoverable VAT as of a specified date is the difference between output VAT and deductible input VAT.

The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments	31,029	78,120	101,069
Right-of-return assets	5,438	11,896	24,039
Deposits and other receivables	5,754	9,764	16,934
Recoverable VAT	432	2,413	3,643
[REDACTED]	—	—	3,169
Prepaid income tax	—	—	210
	42,653	102,193	149,064
Impairment allowance	(59)	(97)	(150)
Total	**42,594**	**102,096**	**148,914**

Our prepayments, deposits and other receivables increased significantly from RMB42.6 million as of December 31, 2023 to RMB102.1 million as of December 31, 2024 and further increased to RMB148.9 million as of December 31, 2025, which was primarily due to an increase in prepayments to contractual manufacturers, raw material suppliers and brand promotion service providers, driven by sales growth.

As of March 31, 2026, RMB108.7 million, or 73.1% of our prepayments, other receivables and other assets as of December 31, 2025 has been subsequently utilized or settled.

Cash and Cash Equivalents

Our cash and cash equivalents increased from RMB51.1 million as of December 31, 2023 to RMB354.2 million as of December 31, 2024, primarily due to (i) the redemption of wealth management products and the recovery of bank notice deposits, and (ii) the proceeds received from equity financing in August 2024. Furthermore, it increased to RMB713.2 million as of December 31, 2025, primarily due to the proceeds from issue of new shares and net cash flows generated from our daily operations.

Trade and Bills Payables

Our trade and bills payables primarily represent payment for purchases of raw materials and payment to contractual manufacturers. Our trade and bills payables are generally non-interest-bearing and are normally settled on 60-day to 90-day terms.

Our trade and bills payables increased from RMB160.5 million as of December 31, 2023 to RMB274.9 million as of December 31, 2024 and further increased to RMB472.7 million as of December 31, 2025, primarily due to an increase in payables to contractual manufacturers and raw material suppliers, driven by business growth.

The following is an aging analysis of our trade and bills payables on the invoice date as of the dates indicated. During the Track Record Period, a substantial majority of our trade and bills payables were outstanding for less than one year.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	159,302	274,460	471,184
1 to 2 years	750	251	1,485
Over 2 years	422	195	4
Total	**160,474**	**274,906**	**472,673**

The following table sets forth our trade and bills payables turnover days for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
Trade and bills payables turnover days(1)	125	111	134

Note:

(1) Trade and bills payables turnover days for each year equals the average trade and bills payables at the beginning and at the end of the year divided by cost of sales for that year and multiplied by 365 days (for a year).

In 2023, 2024 and 2025, our average trade and bills payables turnover days were approximately 125 days, 111 days and 134 days, respectively. The decrease of trade and bills payables turnover days from 125 days in 2023 to 111 days in 2024 was primarily due to the increased purchases of advanced materials for premium product lines, where prepayments are more common. The increase of trade and bills payables turnover days from 111 days in 2024 to 134 days in 2025 was primarily because we secured more flexible and favorable payment arrangements with our major suppliers in line with our business growth.

As of March 31, 2026, RMB458.1 million, or 96.9% of our trade and bills payables as of December 31, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals mainly consisted of (i) refund liabilities, in relation to the estimated refund to customers due to product returns based on historical return rates and current sales volume, (ii) accrued expenses, (iii) other payables, (iv) other tax payables, mainly including VAT and related surcharges, and individual income tax, (v) payrolls payables, (vi) contract liabilities, and (vii) **[REDACTED]**. The following table sets forth details of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Refund liabilities	18,959	44,260	99,227
Accrued expenses	7,925	19,183	68,237
Other payables	7,211	13,618	53,365
Other tax payables	21,984	30,246	47,175
Payrolls payables	13,718	21,504	29,712
Contract liabilities	8,916	17,328	17,454
[REDACTED]	—	7,520	3,172
Total	**78,713**	**153,659**	**318,342**

Our other payables and accruals increased from RMB78.7 million as of December 31, 2023 to RMB153.7 million as of December 31, 2024, and further increased to RMB318.3 million as of December 31, 2025. These increases were primarily due to (i) the increases in refund liabilities, primarily driven by the growth in online sales through third-party e-commerce platforms, as we continued to deepen our cooperation with e-commerce platform partners, (ii) the increases in accrued expenses, primarily driven by the revenue growth, (iii) the increases in other tax payables, mainly due to the increased VAT and related surcharges driven by business growth.

Tax Payables

Our tax payables increased from RMB35.4 million as of December 31, 2023 to RMB63.8 million as of December 31, 2024 and further increased to RMB66.8 million as of December 31, 2025, primarily driven by our business expansion and net profit growth.

Non-Current Assets and Liabilities

The following table sets forth 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	29,372	65,049	120,053
Right-of-use assets	17,193	51,769	66,677
Deferred tax assets	9,091	17,373	56,910
Intangible assets	3,784	5,985	10,674
Other non-current assets	—	—	6,582
Total non-current assets	**59,440**	**140,176**	**260,896**
Non-Current Liabilities			
Lease liabilities	2,975	19,363	30,265
Total non-current liabilities	**2,975**	**19,363**	**30,265**

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment primarily consisted of buildings and furniture, leasehold improvements, as well as machinery and equipment. The following table sets forth the details of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Buildings and furniture	21,640	49,617	70,137
Leasehold improvements	5,331	10,713	36,179
Machinery and equipment	1,995	4,088	12,907
Motor vehicles	406	631	830
Total	**29,372**	**65,049**	**120,053**

Our property, plant and equipment increased significantly from RMB29.4 million as of December 31, 2023 to RMB65.0 million as of December 31, 2024, and further increased to RMB120.1 million as of December 31, 2025, primarily due to our continued investment in warehousing and offices to support business expansion.

Right-of-use Assets

During the Track Record Period, our right-of-use assets consisted of office premises, dormitories, warehouses and self-operated stores, as well as land use rights. The following table sets forth the details of our right-of-use assets as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	**RMB'000**	**RMB'000**
Office premises, dormitories, warehouses and self-operated stores	12,206	30,367	45,745
Land use rights	4,987	21,402	20,932
Total	**17,193**	**51,769**	**66,677**

Our right-of-use assets increased from RMB17.2 million as of December 31, 2023 to RMB51.8 million as of December 31, 2024, and further increased to RMB66.7 million as of December 31, 2025, primarily due to (i) the increased office premises, employee dormitories and warehouses to support our business growth, and (ii) the increased self-operated offline stores as we continue to expand our offline presence.

Intangible Assets

During the Track Record Period, our intangible assets mainly represented software and trademarks. Our intangible assets increased from RMB3.8 million as of December 31, 2023 to RMB6.0 million as of December 31, 2024, and further increased to RMB10.7 million as of December 31, 2025, primarily due to the continuous purchase and upgrade of software systems.

Deferred Tax Assets

During the Track Record Period, deferred tax assets were recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Our deferred tax assets increased from RMB9.1 million as of December 31, 2023 to RMB17.4 million as of December 31, 2024, and further increased to RMB56.9 million as of December 31, 2025, primarily reflecting a temporary difference arising from impairment of inventory and lease liability.

SHARE CAPITAL

Our share capital amounted to RMB53.1 million, RMB60.0 million and RMB67.3 million as of December 31, 2023, 2024 and 2025, respectively.

On March 20, 2025, our Company and the Pre-**[REDACTED]** Investors subsequently entered into supplemental agreements, agreeing that the special rights granted by us to the Pre-**[REDACTED]** investors, including redemption rights, have been irrecoverably terminated and shall be *void ab initio*. Taking into account the legal and regulatory framework of our jurisdiction and the governing law of the supplemental agreements, our Directors considered that it is appropriate to present the Pre-**[REDACTED]** Investments as equity during the Track Record Period.

Had the special rights granted by our Company to the Pre-**[REDACTED]** Investors been accounted for as financial liabilities measured at fair value prior to entering into the supplemental agreements, (i) the fair value through profit and loss financial liabilities, total current liabilities and net assets would have been:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fair value through profit and loss financial liabilities	72,655	367,194	—
Total current liabilities	360,100	865,174	872,365
Net assets	273,126	553,417	1,590,555

and (ii) the fair value changes and transaction costs, the net profit for the year, basic and dilutive earning per share would have been:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fair value changes and transaction costs	(3,655)	(14,379)	(19,955)
Total net profit	148,838	271,568	339,986
Basic earnings per share	2.92	4.95	5.19
Dilutive earnings per share	2.89	4.55	5.19

For details, see Note 25 to the Accountants' Report set out in Appendix I to this document.

KEY FINANCIAL RATIOS

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

	As of/For the year ended December 31,		
	2023	2024	2025
Profitability ratios			
Net profit margin(1)	16.7%	16.0%	12.7%
Adjusted net profit margin (non-HKFRS measure)(2)	17.2%	17.2%	14.6%
Gross profit margin(3)	58.2%	59.6%	63.7%
Return on assets(4)	32.1%	27.3%	18.1%
Return on equity(5)	65.3%	44.8%	28.4%
Liquidity ratio			
Current ratio(6)	2.0	2.6	2.6

Notes:

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

(2) Adjusted net profit margin (non-HKFRS measure) represents the adjusted net profit (non-HKFRS measure) for the year divided by our total revenue for the same year. For details of adjusted net profit (non-HKFRS measure), see "Financial Information — Description of Major Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Non-HKFRS Measure."

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

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

(5) Return on equity represents profit for the year divided by the average of the beginning and ending balance of total equity for that year, then multiplied by 100%.

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

LIQUIDITY AND CAPITAL RESOURCES

We financed our liquidity requirements mainly through cash generated from our operating activities, capital contribution from shareholders and proceeds from external debts. We do not anticipate any changes to the availability of financing to fund our operations in the future.

As of March 31, 2026, the latest practicable date for determining our indebtedness, we had cash and cash equivalents of RMB392.8 million. As of March 31, 2026, our unutilized banking facilities amounted to RMB15.0 million. Considering our internal resources, our cash flow from operations and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors confirm that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Summary of Consolidated Statements of Cash Flow

The following table sets forth a summary of our consolidated cash flow statements for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	131,054	(30,517)	244,999
Net cash (used in)/generated from investing activities	(135,335)	78,827	(121,354)
Net cash generated from financing activities	42,477	254,727	235,488
Net increase in cash and cash equivalents	38,196	303,037	359,133
Cash and cash equivalents at beginning of the year	12,863	51,060	354,167
Effect of foreign exchange differences, net	1	70	(56)
Cash and cash equivalents at end of the year	51,060	354,167	713,244

Net Cash From/(Used in) Operating Activities

In 2025, our net cash from operating activities was RMB245.0 million, primarily attributable to our profit before tax of RMB435.7 million in the same year, as adjusted by (i) non-cash and non-operating items, which primarily consisted of impairment of inventories of RMB52.7 million, equity-settled share award expense of RMB41.5 million, depreciation of property, plant and equipment of RMB18.1 million, and depreciation of right-of-use assets of RMB14.2 million, and (ii) changes in working capital, which primarily resulted from the increase in inventories of RMB327.6 million, the increase in trade receivables of RMB226.2 million, and the increase in prepayments, other receivables and other assets of RMB43.7 million; partially offset by the increase in trade and bills payables of RMB197.8 million and the increase in other payables and accruals of RMB164.8 million.

In 2024, our net cash used in operating activities was RMB30.5 million, primarily attributable to our profit before tax of RMB350.1 million in the same year, as adjusted by (i) non-cash and non-operating items, which primarily consisted of impairment of inventories of RMB34.2 million, depreciation of right-of-use assets of RMB13.3 million, equity-settled share award expense of RMB12.6 million, and depreciation of property, plant and equipment of RMB7.7 million, and (ii) changes in working capital, which primarily resulted from the increase in inventories of RMB391.2 million, the increase in trade receivables of RMB128.7 million, and the increase in prepayments, other receivables and other assets of RMB60.0 million, and income tax paid of RMB46.9 million partially offset by the increase in trade and bills payables of RMB113.4 million and the increase in other payables and accruals of RMB74.9 million.

In 2023, our net cash from operating activities was RMB131.1 million, primarily attributable to our profit before tax of RMB187.7 million in the same year, as adjusted by (i) non-cash and non-operating items, which primarily consisted of impairment of inventories of RMB16.9 million, depreciation of right-of-use assets of RMB9.7 million, depreciation of property, plant and equipment of RMB4.7 million, and equity-settled share award expense of RMB4.1 million, and (ii) changes in working capital, which primarily resulted from the increase in inventories of RMB100.8 million, the increase in trade receivables of RMB53.2 million, and the increase in prepayments, other receivables and other assets of RMB20.7 million, partially offset by the increase in trade and bills payables of RMB61.4 million and the increase in other payables and accruals of RMB32.2 million.

In light of the net operating cash outflow recorded in 2024, we plan to implement a range of measures aimed at enhancing operational efficiency and improving cash flow performance, including but not limited to the following:

- *Strengthening inventory and supply chain management.* We plan to further enhance coordination across our supply chain, improve demand forecasting, and optimize procurement planning to increase inventory turnover and reduce excess stock levels, thereby alleviating pressure on working capital.

- *Optimizing credit and collection policies.* We will further enhance customer credit management, refine payment terms, improve collection efficiency, and strengthen internal processes to accelerate the recovery of trade receivables and improve cash utilization.

- *Improving operational process efficiency.* We intend to streamline operational workflows and upgrade information systems to improve efficiency from order placement to delivery, reduce turnaround time, and facilitate faster cash conversion.

- *Enhancing supplier collaboration mechanism.* We will continue to strengthen our relationships with key suppliers and negotiate more flexible payment arrangements to better manage cash outflows.

- *Strengthening budget control and cost management.* We plan to improve our budget discipline and cost control framework, allocate operational expenses more prudently, and regularly assess the cost-effectiveness of spending to avoid unnecessary or premature expenditures.

Net Cash (Used in)/From Investing Activities

In 2025, we had net cash used in investing activities of RMB121.4 million, primarily attributable to purchases of financial assets at fair value through profit or loss of RMB1,005.9 million and purchases of items of property, plant and equipment of RMB80.3 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB978.0 million.

In 2024, we had net cash from investing activities of RMB78.8 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of RMB593.1 million, partially offset by purchases of financial assets at FVTPL of RMB450.9 million.

In 2023, we had net cash used in investing activities of RMB135.3 million, primarily attributable to purchases of financial assets at FVTPL of RMB435.1 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB306.2 million.

Net Cash (Used in)/From Financing Activities

In 2025, we had net cash from financing activities of RMB235.5 million, primarily attributable to proceeds from issue of new shares of RMB291.3 million, which were partially offset by dividends declared of RMB42.0 million.

In 2024, we had net cash from financing activities of RMB254.7 million, primarily attributable to proceeds from issuance of new shares of RMB288.3 million and new bank borrowings of RMB44.9 million, which were partially offset by repayment of bank borrowings of RMB52.9 million.

In 2023, we had net cash from financing activities of RMB42.5 million, primarily attributable to proceeds from issuance of new shares of RMB69.0 million and new bank borrowings of RMB41.1 million, which were partially offset by repayment of bank borrowings of RMB54.0 million.

INDEBTEDNESS

As of December 31, 2023, 2024 and 2025, and March 31, 2026, being the most recent practicable date for determining our indebtedness, except as disclosed in the table below, we did not have any material indebtedness. The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*
Current				
Lease liabilities	4,823	5,594	14,521	16,580
Interest-bearing bank borrowings	8,000	—	—	—
Non-current				
Lease liabilities	2,975	19,363	30,265	28,561
Total	**15,798**	**24,957**	**44,786**	**45,141**

Our Directors confirmed that there has not been any material change in our indebtedness since March 31, 2026 to the date of this document. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we did not have plans for material external debt financing.

Interest-bearing Bank Borrowings

Our interest-bearing bank borrowings consisted of (i) unsecured bank loan, and (ii) secured bank loan, and amounted to RMB8.0 million, nil, nil and nil as of December 31, 2023, 2024 and 2025 and March 31, 2026. See Note 23 to the Accountants' Report set out in Appendix I to this document.

The following table sets forth the details of our interest-bearing bank borrowings as of the dates indicated.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*
Bank loan — secured	3,000	—	—	—
Bank loan — unsecured	5,000	—	—	—
Total	**8,000**	**—**	**—**	**—**

As of December 31, 2023, our total outstanding bank borrowings were RMB8.0 million. These borrowings comprised (i) a secured bank loan of RMB3.0 million with an effective interest rate of 3.65%, maturing on March 8, 2024, and (ii) an unsecured bank loan of RMB5.0 million with an effective interest rate of 3.45%, maturing on April 27, 2024.

As of December 31, 2024 and 2025 and March 31, 2026, we had no outstanding bank borrowings.

Lease Liabilities

Our lease liabilities primarily consisted of current lease liabilities and non-current lease liabilities. The following table sets forth the details of our lease liabilities as of the dates indicated.

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*
Current portion	4,823	5,594	14,521	16,580
Non-current portion	2,975	19,363	30,265	28,561
Total	**7,798**	**24,957**	**44,786**	**45,141**

Our lease liabilities increased significantly from RMB7.8 million as of December 31, 2023 to RMB25.0 million as of December 31, 2024, primarily due to the relocation to a larger office and increased leases for offline store expansion. Our lease liabilities increased from RMB25.0 million as of December 31, 2024 to RMB44.8 million as of December 31, 2025, and further increased to RMB45.1 million as of March 31, 2026, primarily due to new leases for further offline store expansion and additional office space to support our growing operations.

CAPITAL COMMITMENTS

For the year ended December 31, 2023, 2024 and 2025, our capital commitments amounted to nil, RMB14.2 million and RMB0.2 million, primarily related to our property, plant and equipment. See Note 31 in the Accountants' Report set out in Appendix I of this document.

CAPITAL EXPENDITURE

Our capital expenditure is mainly related to buildings and furniture, leasehold improvements, machinery equipment and motor vehicles. In 2023, 2024 and 2025, our capital expenditure was RMB29.4 million, RMB65.0 million and RMB120.1 million, respectively.

The following table sets forth our capital expenditure for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Buildings and furniture	21,640	49,617	70,137
Leasehold improvements	5,331	10,713	36,179
Machinery and equipment	1,995	4,088	12,907
Motor vehicles	406	631	830
Total	**29,372**	**65,049**	**120,053**

We intend to fund our future capital expenditure with financial resources available to us, including our existing cash balance and cash generated from our operation activities. We will continue to make capital expenditures to meet the expected growth of our business. See the section "Future Plans and **[REDACTED]**" in the document for more details.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we had no significant contingent liabilities. See Note 29 in the Accountants' Report set out in Appendix I of this document.

RELATED PARTY TRANSACTIONS

We had no related party transactions during the Track Record Period. See Note 32 in the Accountants' Report set out in Appendix I of this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including foreign currency risk, credit risk and liquidity risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 35 in the Accountants' Report set out in Appendix I of this document.

Credit Risk

Our cash and cash equivalents are mainly deposited with state-owned banks in Chinese mainland. The carrying amounts of the trade receivables, other receivables, financial assets at FVTPL, cash and cash equivalents included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets.

We trade only with recognized and credit worthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual consumers. As of December 31, 2023, 2024 and 2025, 60%, 64% and 59% of the total trade receivables, respectively, were due from our largest debtor, and 85%, 81% and 74% of the total trade receivables, respectively, were due from our five largest debtors.

Liquidity Risk

We monitor its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loan and other interest-bearing loans.

DIVIDENDS

During the Track Record Period, we declared cash dividends to our Shareholders as follows.

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Dividends	—	10,611	42,008

We did not declare dividends in 2023. On June 30, 2024, we declared dividends of RMB10.6 million to our Shareholders, which were fully paid in August 2024. We also declared a dividend to our Shareholders of approximately RMB42.0 million in March 2025, which was fully paid in August 2025.

As of the Latest Practicable Date, we did not have any fixed dividend policy nor pre-determined dividend payout ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

[REDACTED]

[REDACTED] to be borne by us are estimated to be approximately HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per Share), representing approximately **[REDACTED]**% of the estimated **[REDACTED]** from the **[REDACTED]** assuming no Shares are **[REDACTED]** pursuant to the **[REDACTED]** and/or the **[REDACTED]**. The **[REDACTED]** consist of (i) **[REDACTED]**-related expenses, including **[REDACTED]**, of approximately HK$**[REDACTED]**, and (ii) non-**[REDACTED]**-related expenses of approximately HK$**[REDACTED]**, comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK$**[REDACTED]**, and (b) other fees and expenses of approximately HK$**[REDACTED]**. [During the Track Record Period, the **[REDACTED]** charged to our consolidated statements of profit or loss were RMB**[REDACTED]** (HK$**[REDACTED]**) and the issue costs, which were recognized as prepayments and are expected to be deducted from equity upon the **[REDACTED]**, were RMB**[REDACTED]** (HK$**[REDACTED]**). After the Track Record Period, approximately HK$**[REDACTED]** is expected to be charged to our consolidated statements of profit or loss, and approximately HK$**[REDACTED]** is expected to be accounted for as a deduction from equity upon the **[REDACTED]**. We do not believe any of the above fees or expenses are material or are unusually high for us. The **[REDACTED]** above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED]

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025 and up to the date of this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.