
APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report on GoNature Outdoor Sports Group Co., Ltd., prepared for the purpose of incorporation in this document received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GONATURE OUTDOOR SPORTS GROUP CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of GoNature Outdoor Sports Group Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages [●] to [●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “**Document**”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

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I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
REVENUE	5	908,068	1,766,102	2,792,988
Cost of sales		<u>(379,184)</u>	<u>(713,055)</u>	<u>(1,014,618)</u>
Gross profit		528,884	1,053,047	1,778,370
Other income and gains, net	5	21,926	55,801	40,996
Selling and distribution expenses		(277,175)	(586,500)	(1,058,666)
Administrative expenses		(64,943)	(132,578)	(255,428)
Impairment losses on financial assets, net		(429)	7	(305)
Other expenses		(18,810)	(37,815)	(67,768)
Finance costs	7	<u>(1,748)</u>	<u>(1,849)</u>	<u>(1,452)</u>
PROFIT BEFORE TAX	6	187,705	350,113	435,747
Income tax expenses	10	<u>(35,760)</u>	<u>(67,033)</u>	<u>(80,073)</u>
PROFIT FOR THE YEAR		<u>151,945</u>	<u>283,080</u>	<u>355,674</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		<u>(1)</u>	<u>(87)</u>	<u>93</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>(1)</u>	<u>(87)</u>	<u>93</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>151,944</u>	<u>282,993</u>	<u>355,767</u>
Profit attributable to:				
Owners of the parent		<u>151,945</u>	<u>283,080</u>	<u>355,674</u>
Total comprehensive income attributable to:				
Owners of the parent		<u>151,944</u>	<u>282,993</u>	<u>355,767</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)		<u>2.97</u>	<u>5.10</u>	<u>5.43</u>

For the details of pre-[REDACTED] investments, please refer to Note 25 to this report.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	29,372	65,049	120,053
Right-of-use assets	14(a)	17,193	51,769	66,677
Intangible assets	15	3,784	5,985	10,674
Deferred tax assets	24	9,091	17,373	56,910
Other non-current assets		—	—	6,582
Total non-current assets		59,440	140,176	260,896
CURRENT ASSETS				
Inventories	16	238,186	595,090	869,966
Trade receivables	17	103,575	232,258	458,840
Financial assets at fair value through profit or loss	20	140,794	—	30,000
Prepayments, other receivables and other assets	18	42,594	102,096	148,914
Restricted cash and pledged deposits	19	4	12,010	8,332
Cash and cash equivalents	19	51,060	354,167	713,244
Total current assets		576,213	1,295,621	2,229,296
CURRENT LIABILITIES				
Trade and bills payables	21	160,474	274,906	472,673
Other payables and accruals	22	78,713	153,659	318,342
Interest-bearing bank borrowings	23	8,000	—	—
Lease liabilities	14(b)	4,823	5,594	14,521
Tax payables		35,435	63,821	66,829
Total current liabilities		287,445	497,980	872,365
NET CURRENT ASSETS		288,768	797,641	1,356,931
TOTAL ASSETS LESS CURRENT LIABILITIES		348,208	937,817	1,617,827
NON-CURRENT LIABILITIES				
Lease liabilities	14(b)	2,975	19,363	30,265
Total non-current liabilities		2,975	19,363	30,265
Net assets		345,233	918,454	1,587,562
EQUITY				
Share capital	25	53,091	60,011	67,322
Reserves		292,142	858,443	1,520,240
Total equity		345,233	918,454	1,587,562

For the details of pre-[REDACTED] investments, please refer to Note 25 to this report.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent							Total equity
	Share capital	Capital reserve*	Treasury shares*	Statutory reserve*	Share award scheme reserve*	Exchange fluctuation reserve*	Retained profits*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	50,000	56,737	(4,907)	2,431	5,208	24	10,718	120,211
Profit for the year	—	—	—	—	—	—	151,945	151,945
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	—	—	(1)	—	(1)
Total comprehensive income for the year	—	—	—	—	—	(1)	151,945	151,944
Issue of new shares	3,091	65,909	—	—	—	—	—	69,000
Equity-settled share award scheme	—	—	—	—	4,078	—	—	4,078
Transfer to statutory reserve	—	—	—	15,194	—	—	(15,194)	—
As at 31 December 2023	<u>53,091</u>	<u>122,646</u>	<u>(4,907)</u>	<u>17,625</u>	<u>9,286</u>	<u>23</u>	<u>147,469</u>	<u>345,233</u>

Year ended 31 December 2024

	Attributable to owners of the parent							Total equity
	Share capital	Capital reserve*	Treasury shares*	Statutory reserve*	Share award scheme reserve*	Exchange fluctuation reserve*	Retained profits*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2024	53,091	122,646	(4,907)	17,625	9,286	23	147,469	345,233
Profit for the year	—	—	—	—	—	—	283,080	283,080
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	—	—	(87)	—	(87)
Total comprehensive income for the year	—	—	—	—	—	(87)	283,080	282,993
Dividends declared	—	—	—	—	—	—	(10,611)	(10,611)
Issue of new shares	6,920	281,351	—	—	—	—	—	288,271
Equity-settled share award scheme	—	—	—	—	12,568	—	—	12,568
Transfer to statutory reserve	—	—	—	12,380	—	—	(12,380)	—
As at 31 December 2024	<u>60,011</u>	<u>403,997</u>	<u>(4,907)</u>	<u>30,005</u>	<u>21,854</u>	<u>(64)</u>	<u>407,558</u>	<u>918,454</u>

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Year ended 31 December 2025

	Attributable to owners of the parent							Total equity
	Share capital	Capital reserve*	Treasury shares*	Statutory reserve*	Share award scheme reserve*	Exchange fluctuation reserve*	Retained profits*	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2025	60,011	403,997	(4,907)	30,005	21,854	(64)	407,558	918,454
Profit for the year	—	—	—	—	—	—	355,674	355,674
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	—	—	93	—	93
Total comprehensive income for the year	—	—	—	—	—	93	355,674	355,767
Dividends declared	—	—	—	—	—	—	(42,008)	(42,008)
Issue of new shares	7,311	284,015	—	—	—	—	—	291,326
Equity-settled share award scheme	—	—	—	—	41,505	—	—	41,505
Tax implications related to a share incentive plan	—	—	—	—	22,518	—	—	22,518
Transfer to statutory reserve	—	—	—	3,655	—	—	(3,655)	—
As at 31 December 2025	<u>67,322</u>	<u>688,012</u>	<u>(4,907)</u>	<u>33,660</u>	<u>85,877</u>	<u>29</u>	<u>717,569</u>	<u>1,587,562</u>

* These reserve accounts comprise the consolidated reserves of RMB292,142,000, RMB858,443,000 and RMB1,520,240,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025 respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		187,705	350,113	435,747
Adjustments for:				
Finance costs	7	1,748	1,849	1,452
Bank interest income	6	(136)	(1,243)	(2,507)
Loss on disposal of items of property, plant and equipment	6	—	47	6,678
Gain on termination of leases	5	—	(482)	(63)
Depreciation of property, plant and equipment	13	4,749	7,723	18,085
Depreciation of right-of-use assets	14(a)	9,741	13,282	14,193
Amortisation of intangible assets	15	763	1,003	2,391
Impairment of inventories	6	16,946	34,246	52,718
Impairment losses on trade and other receivables, net	6	429	(7)	305
Foreign exchange differences, net	6	71	976	(436)
Investment income on financial assets at fair value through profit or loss	5	(265)	(1,401)	(2,075)
Equity-settled share award expenses	27	4,078	12,568	41,505
		<u>225,829</u>	<u>418,674</u>	<u>567,993</u>
Increase in inventories		(100,766)	(391,150)	(327,594)
Increase in trade receivables		(53,199)	(128,711)	(226,185)
Decrease/(increase) in restricted cash and pledged deposits		—	(12,006)	3,678
Increase in prepayments, other receivables and other assets		(20,737)	(59,959)	(43,714)
Increase in trade and bills payables		61,439	113,373	197,767
Increase in other payables and accruals		<u>32,150</u>	<u>74,946</u>	<u>164,841</u>
Cash generated from operations		144,716	15,167	336,786
Income tax paid		(13,798)	(46,927)	(94,294)
Interest received		<u>136</u>	<u>1,243</u>	<u>2,507</u>
Net cash flows from/(used in) operating activities		<u>131,054</u>	<u>(30,517)</u>	<u>244,999</u>

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	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Net cash flows from/(used in) operating activities		131,054	(30,517)	244,999
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(5,834)	(44,640)	(80,303)
Proceeds from disposal of items of property, plant and equipment		68	1,193	470
Purchases of intangible assets		(608)	(3,204)	(13,596)
Purchases of land use right		—	(16,717)	—
Purchases of financial assets at fair value through profit or loss		(435,115)	(450,871)	(1,005,875)
Proceeds from disposal of financial assets at fair value through profit or loss		<u>306,154</u>	<u>593,066</u>	<u>977,950</u>
Net cash flows (used in)/from investing activities		<u>(135,335)</u>	<u>78,827</u>	<u>(121,354)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(1,139)	(824)	—
New bank borrowings		41,138	44,867	4,000
Repayment of bank borrowings		(54,000)	(52,867)	(4,000)
Lease payments		(12,522)	(14,109)	(10,661)
Dividends paid		—	(10,611)	(42,008)
Proceeds from issue of new shares		69,000	288,271	291,326
Payment of [REDACTED]		<u>—</u>	<u>—</u>	<u>(3,169)</u>
Net cash flows from financing activities		<u>42,477</u>	<u>254,727</u>	<u>235,488</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>38,196</u>	<u>303,037</u>	<u>359,133</u>
Cash and cash equivalents at beginning of year		12,863	51,060	354,167
Effect of foreign exchange differences, net		<u>1</u>	<u>70</u>	<u>(56)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>51,060</u></u>	<u><u>354,167</u></u>	<u><u>713,244</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	19	51,064	366,177	721,576
Less: Restricted cash and pledged deposits	19	<u>(4)</u>	<u>(12,010)</u>	<u>(8,332)</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows		<u><u>51,060</u></u>	<u><u>354,167</u></u>	<u><u>713,244</u></u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
NON-CURRENT ASSETS				
Property, plant and equipment	13	6,515	13,911	40,120
Right-of-use assets	14(a)	10,843	21,199	37,884
Intangible assets	15	921	3,603	8,772
Investments in subsidiaries	36	61,767	92,591	92,591
Deferred tax assets	24	8,430	15,932	52,634
Other non-current assets		—	—	6,516
Total non-current assets		88,476	147,236	238,517
CURRENT ASSETS				
Inventories	16	232,192	583,699	850,015
Trade receivables	17	101,552	224,331	396,070
Financial assets at fair value through profit or loss	20	137,395	—	30,000
Prepayments, other receivables and other assets	18	115,053	142,457	156,374
Restricted cash and pledged deposits	19	4	12,010	8,332
Cash and cash equivalents	19	36,325	317,734	553,210
Total current assets		622,521	1,280,231	1,994,001
CURRENT LIABILITIES				
Trade and bills payables	21	160,394	274,862	468,685
Other payables and accruals	22	213,561	283,412	325,298
Interest-bearing bank borrowings	23	8,000	—	—
Lease liabilities	14(b)	4,057	2,460	11,896
Tax payables		18,792	34,524	29,855
Total current liabilities		404,804	595,258	835,734
NET CURRENT ASSETS		217,717	684,973	1,158,267
TOTAL ASSETS LESS CURRENT LIABILITIES		306,193	832,209	1,396,784
NON-CURRENT LIABILITIES				
Lease liabilities	14(b)	2,404	13,579	25,085
Total non-current liabilities		2,404	13,579	25,085
Net assets		303,789	818,630	1,371,699
EQUITY				
Share capital	25	53,091	60,011	67,322
Reserves	26	250,698	758,619	1,304,377
Total equity		303,789	818,630	1,371,699

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company registered in the People’s Republic of China (the “PRC”) on 24 December 2015. The registered office address of the Company is located at west of Chuangye Road, Jingkai District, Lixin County, Anhui Province, PRC.

On 26 August 2022, the then Shareholders of the Company passed resolutions approving, among others, the conversion of the Company from a limited liability company into a joint stock limited company (the “Stock Conversion”). The Stock Conversion was completed on 21 September 2022. On 27 October 2022, the name of the Company was changed from Anhui Boxihe Outdoor Sports Group Company Limited to Boxihe Outdoor Sports Group Co., Ltd.. On 26 January 2026, the name of the Company was changed from Boxihe Outdoor Sports Group Co., Ltd. to GoNature Outdoor Sports Group Co., Ltd..

During the Relevant Periods, the Company and its subsidiaries (the “Group”) were involved in sale of outdoor products in the PRC.

As at the end of the Relevant Periods, the Company had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of the Company’s subsidiaries of which are set out below:

Name*	Place and date of incorporation/registration and place of business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Anhui GoNature Technology Co., Ltd.* (“安徽奔赴自然科技有限公司”)	PRC/Chinese Mainland 2023-4-21	RMB5,000,000	100%	—	Sale of outdoor products
Anhui GoNature Outdoor Products Co., Ltd.* (“安徽奔赴自然户外用品有限公司”)	PRC/Chinese Mainland 2022-2-28	RMB5,000,000	100%	—	Sale of outdoor products
Anhui GoNature Clothing Co., Ltd.* (“安徽奔赴自然服飾有限公司”)	PRC/Chinese Mainland 2019-9-23	RMB5,000,000	100%	—	Sale of outdoor products
Anhui Dajiang Clothing Co., Ltd.* (“安徽大江服裝服飾有限公司”)	PRC/Chinese Mainland 2010-1-26	RMB10,000,000	100%	—	Sale of outdoor products
GoNature (Anhui) E-commerce Co., Ltd.* (“奔赴自然(安徽)電子商務有限公司”)	PRC/Chinese Mainland 2023-4-19	RMB5,000,000	100%	—	Sale of outdoor products
GoNature (Beijing) Cultural Media Co., Ltd.* (“奔赴自然(北京)文化傳媒有限公司”)	PRC/Chinese Mainland 2022-10-08	RMB2,000,000	100%	—	Sale of outdoor products
Beijing Xianfeng Clothing Co., Ltd.* (“北京險峰服裝有限公司”)	PRC/Chinese Mainland 2006-2-22	RMB1,000,000	100%	—	Sale of outdoor products
Hangzhou GoNature Technology Co., Ltd.* (“杭州奔赴自然科技有限公司”)	PRC/Chinese Mainland 2021-11-10	RMB100,000	100%	—	Sale of outdoor products
Excellent Brand Management Co., Ltd.* (“精益求精品牌管理有限公司”)	PRC/Chinese Mainland 2020-9-21	RMB50,000,000	100%	—	Sale of outdoor products
Jiangsu GoNature Outdoor Products Co., Ltd.* (“江蘇奔赴自然户外用品有限公司”)	PRC/Chinese Mainland 2021-10-29	RMB10,000,000	100%	—	Sale of outdoor products
Shandong GoNature Information Technology Co., Ltd.* (“山東奔赴自然信息科技有限公司”)	PRC/Chinese Mainland 2023-9-27	RMB5,000,000	100%	—	Sale of outdoor products
GoNature (Beijing) Outdoor Sports Co., Ltd.* (“奔赴自然(北京)戶外運動有限公司”)	PRC/Chinese Mainland 2024-11-21	RMB10,000,000	—	100%	Sale of outdoor products
GONATURE (Hong Kong) E-commerce Limited (“奔赴自然(香港)電子商務有限公司”)	Hong Kong 2025-1-10	—	—	100%	Sale of outdoor products

* The English names of the companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

No audited financial statements have been prepared for these subsidiaries for the years ended 31 December 2023, 2024 and 2025, as the entities were not subject to such requirements under the relevant rules and regulations in their jurisdictions of incorporation.

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Besides the subsidiaries disclosed above, the Group also considers Lixin Libo Consulting Services Partnership (Limited Partnership) (“利辛利伯諮詢服務合夥企業(有限合夥)”) (“**Lixin Libo**”) and Lixin Xihe Enterprise Management Services Partnership (Limited Partnership) (“利辛希和企業管理服務合夥企業(有限合夥)”) (“**Lixin Xihe**”) (collectively referred to as the “**Employee Incentive Platforms**”) as subsidiaries of the Group.

Each of Lixin Libo and Lixin Xihe was registered in Anhui Province of the PRC under the Law of the People’s Republic of China on Partnerships respectively on 23 August 2018 and 23 November 2023 as vehicles to hold the ordinary shares for the employees under the share incentive plans of the Company.

No audited financial statements have been prepared for Lixin Libo and Lixin Xihe for the years ended 31 December 2023, 2024 and 2025, as the entities were not subject to such requirements under the relevant rules and regulations in their jurisdictions of incorporation.

2.1 BASIS OF PREPARATION

For ordinary shares issued to pre-[REDACTED] investors, pursuant to the supplemental agreements entered into between the Company and the pre-[REDACTED] Investors in relation to the termination of special rights granted by the Company, including redemption rights, which are *void ab initio* as described in note 25 to this report, having taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplementary agreements, the directors considered that it is appropriate to present the pre-[REDACTED] Investments as equity throughout the Relevant Periods. For the details of financial impacts, see note 25 of this report.

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA. All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025 together with the relevant transitional provisions, have been early adopted on a consistent basis by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

The Historical Financial Information include the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
HKFRS 19 and its amendment	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
<i>Annual Improvements to HKFRS Accounting Standards — Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of the new and amended HKFRS Accounting Standards upon initial application. So far, the Group considers that these new and revised HKFRS Accounting Standards, except for HKFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group’s financial performance and financial position in the period of initial application. The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statements of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of HKFRS 18 on the Group’s financial information.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

The Group measures its certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expenses categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person’s family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings and furnitures	3 to 20 years
Machinery and equipment	3 to 10 years
Motor vehicles	4 years
Leasehold improvements	Over the shorter of the lease terms and estimated useful life

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years based on the Group’s past experiences and different purposes on usages of the software and the authorised period for such uses.

Trademarks

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated useful lives of 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

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Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises, dormitories, warehouses and self-operated stores	13 to 60 months
Land use rights	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in other income and gains in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through profit or loss are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in financial position at fair value with net changes in fair value recognised in profit or loss.

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Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | — | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | — | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | — | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience for groupings of customers sharing similar credit risk, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance.

Classification as equity and financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument.

A financial liability is any liability that is (a) a contractual obligation (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or (b) a contract that will or may be settled in the entity’s own equity instruments and is: (i) a non derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

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Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain products for general replacement of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of replacements. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable

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entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of products

Revenue from the sale of outdoor products is recognised at the point in time when control of the asset is transferred to the customer, generally on the customer’s acceptance of the outdoor products.

Some contracts for the sale of products provide customers with rights of return, giving rise to variable consideration.

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Maintenance and repair services

The Group’s obligation to repair faulty products under the lifetime maintenance terms is accounted for as a separate performance obligation, part of the consideration is allocated to such service and the related revenue is recognized when the service is provided. It is rare that the repair occurred in history and there is no significant change during the Relevant Periods, so the directors of the Company are of the opinion that the maintenance revenue is minimal.

Consideration payable to a customer

The Group accounts for consideration payable to a customer as a reduction of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. If the consideration payable to a customer includes a variable amount, the Group estimates the transaction price, including assessing whether the estimate of variable consideration is constrained. To estimate the variable consideration, the expected value method is used, as this method best predicts the amount of variable consideration, given the terms agreed with the customer.

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Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates a share award arrangement for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“**equity-settled transactions**”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is measured by Black-Scholes model and the market value of the shares, further details of which are given in note 27 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expenses recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expenses recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expenses is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expenses not yet recognised for the award is recognised immediately.

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Other employee benefits

Pension scheme

The employees of the Group which operates in Chinese Mainland are required to participate in central pension schemes operated by the local municipal government and the central government. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in Renminbi, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information required 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.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 24 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for some trade receivables on a collective basis. The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products, consumer price index, deposit reserve ratio, inflation rate and rate of unemployment) are expected to deteriorate over the next year which can lead to an increased number of defaults in the retail sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 17 to the Historical Financial Information.

Net realisable value of inventories

Net realisable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature, include but not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of the reporting period. The carrying amount of inventories is given in note 16 to the Historical Financial Information.

Variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of outdoor products with rights of return.

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The Group has developed a statistical model for forecasting sales returns. The model used the historical return data to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and products and only has one reportable operating segment. Management monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese Mainland	896,064	1,757,569	2,784,955
Other countries or regions	12,004	8,533	8,033
Total revenue	908,068	1,766,102	2,792,988

The revenue information above is based on the locations of the customers.

(b) Non-current assets

All non-current assets of the Group were located in Chinese Mainland.

Information about major customers

Revenue from major customers accounting for more than 10% of the Group’s revenue during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	NA*	190,198	325,644
Customer B	96,787	NA*	NA*

* The revenue from transactions with the customers was less than 10% of the Group’s revenue in the indicated year.

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5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of outdoor products during the Relevant Periods.

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>	908,068	1,766,102	2,792,988

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods			
Apparel	797,076	1,608,082	2,545,703
Footwear	49,956	61,042	115,512
Equipment and accessories	61,036	96,978	131,773
Total	908,068	1,766,102	2,792,988
Timing of revenue recognition			
Goods transferred at a point in time	908,068	1,766,102	2,792,988

The following table shows the amount of revenue recognised in the Relevant Periods that was included in the contract liabilities at the beginning of the Relevant Periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of each of the year:			
Sale of outdoor products	4,312	8,916	17,328

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sale of products

The Group primarily sells its products to customers through online channels such as direct online sales and e-commerce platforms, offline channels such as offline stores, and distributors.

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For direct online sales, the performance obligation is satisfied upon acceptance of goods by customers and payment is mainly on cash or credit card settlement simultaneously.

For e-commerce platforms sales, the performance obligation is satisfied upon acceptance of the goods by customers.

For direct sales via offline stores, the performance obligation is satisfied upon acceptance of the goods and payment is mainly on cash or credit card settlement simultaneously.

For distributor sales, the performance obligation is satisfied upon acceptance of the goods and payment in advance is usually required.

All sales of products are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of the Group’s other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Other income			
Bank interest income	136	1,243	2,507
Government grants*	19,556	50,629	34,468
Others	1,969	2,046	1,883
Total other income	21,661	53,918	38,858
Gains, net			
Gain on termination of leases	—	482	63
Investment income on financial assets at fair value through profit or loss:	265	1,401	2,075
Total gains	265	1,883	2,138
Total other income and gains	21,926	55,801	40,996

* Various government grants have been received as incentives for the Group’s contribution to the development of local economies. There are no unfulfilled conditions or contingencies relating to these grants.

For the details of pre-[REDACTED] investments, please refer to Note 25 to this report.

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6. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Cost of inventories sold		379,184	713,055	1,014,618
Depreciation of property, plant and equipment*	13	4,749	7,723	18,085
Depreciation of right-of-use assets*	14(a)	9,741	13,282	14,193
Amortisation of intangible assets*	15	763	1,003	2,391
Expenses relating to short-term leases	14(c)	6,554	11,415	13,015
Research and development costs:				
Current year expenditure		19,751	31,463	73,961
[REDACTED]		—	8,649	11,932
Bank interest income		(136)	(1,243)	(2,507)
Employee benefit expenses (including directors’, chief executive’s and supervisors’ remuneration as set out in note 8):				
Wages and salaries		64,913	108,377	171,485
Pension scheme contributions		4,264	8,488	12,422
Social welfare and other costs		4,403	10,550	13,850
Equity-settled share award expenses		4,078	12,568	41,505
		<u>77,658</u>	<u>139,983</u>	<u>239,262</u>
Foreign exchange differences, net**		71	976	(436)
Impairment of trade receivables, net	17	411	(45)	188
Impairment of other receivables, net		18	38	117
Loss on disposal of items of property, plant and equipment**		—	47	6,678
Impairment of inventories		16,946	34,246	52,718

* These items for the Relevant Periods were included in “Cost of inventories sold” “Selling and distribution expenses” and “Administrative expenses” in profit or loss.

** These items for the Relevant Periods were included in “Other expenses” or “Other income and gains” in profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest on bank borrowings	1,139	824	—
Interest on lease liabilities	<u>609</u>	<u>1,025</u>	<u>1,452</u>
Total	<u>1,748</u>	<u>1,849</u>	<u>1,452</u>

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8. DIRECTORS’ AND SUPERVISORS’ REMUNERATION

The remuneration of each of the Company’s directors and supervisors is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	2,993	3,527	5,155
Performance related bonuses*	5,607	4,391	4,494
Pension scheme contributions	133	138	155
Equity-settled share award expenses	2,716	4,438	34,551
Total	11,449	12,494	44,355

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax.

The fair value of the equity-settled share award, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amounts included in profit or loss for each of the Relevant Periods are included in the above executive directors’ and supervisors’ remuneration disclosures.

(a) Non-executive directors and independent non-executive directors

The fees paid to non-executive directors and independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Non-executive directors:			
Mr. Li Longhua ^(I)	—	—	—
Mr. Wang Shiyu ^(III)	—	—	—
Independent non-executive directors:			
Dr. Liu Xiaofeng ^(VI)	—	—	—
Mr. Cao Jun ^(VI)	—	—	—
Dr. Yuan Hao ^(VI)	—	—	—
Total	—	—	—

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(b) Executive directors

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity- settled share award expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023					
Executive directors:					
Mr. Liu Zhen	302	—	16	—	318
Mr. Yang Fan	450	176	16	28	670
Mr. Jiang Zhen	284	3,033	16	104	3,437
Mr. Zhao Le ^(I)	387	203	16	197	803
Ms. Guo Yufen ^(IV)	362	140	12	805	1,319
Mr. Ma Yubiao	602	300	16	1,497	2,415
Total	2,387	3,852	92	2,631	8,962
	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity- settled share award expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2024					
Executive directors:					
Mr. Liu Zhen	303	—	19	—	322
Mr. Yang Fan	491	212	19	28	750
Mr. Jiang Zhen	363	2,007	19	473	2,862
Mr. Zhao Le ^(I)	484	279	19	1,053	1,835
Ms. Guo Yufen ^(IV)	523	47	—	807	1,377
Mr. Ma Yubiao	602	600	19	1,500	2,721
Total	2,766	3,145	95	3,861	9,867
	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity- settled share award expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2025					
Executive directors:					
Mr. Liu Zhen	620	280	19	—	919
Mr. Yang Fan	483	136	19	22	660
Mr. Jiang Zhen	916	1,052	19	10,693	12,680
Mr. Zhao Le ^(I)	641	340	19	3,773	4,773
Ms. Li Wei ^(V)	242	130	16	968	1,356
Mr. Ma Yubiao	1,155	1,351	19	18,742	21,267
Total	4,057	3,289	111	34,198	41,655

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

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(c) Supervisors

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity- settled share award expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023					
Mr. Wu Pengfei	215	87	14	11	327
Mr. Lu Guoqiang ^(II)	192	797	13	39	1,041
Mr. Chen Hui	199	871	14	35	1,119
Total	606	1,755	41	85	2,487
	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity- settled share award expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2024					
Mr. Wu Pengfei	275	151	15	11	452
Mr. Lu Guoqiang ^(II)	243	675	13	285	1,216
Mr. Chen Hui	243	420	15	281	959
Total	761	1,246	43	577	2,627
	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity- settled share award expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2025					
Mr. Wu Pengfei	367	128	15	9	519
Mr. Lu Guoqiang ^(II)	364	836	14	174	1,388
Mr. Chen Hui	367	241	15	170	793
Total	1,098	1,205	44	353	2,700

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

- (I) On 18 June 2023, Mr. Li Longhua was appointed as a non-executive director of the Group and Mr. Zhao Le was appointed as an executive director, vice president and chief marketing officer of the Group.

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- (II) On 23 May 2024, Mr. Lu Guoqiang was appointed as a supervisor of the Group.
- (III) On 30 June 2024, Mr. Wang Shiyu was appointed as a non-executive director of the Group.
- (IV) On 10 April 2025, Ms. Guo Yufen was retired from the executive director of the Group.
- (V) On 27 April 2025, Ms. Li Wei was appointed as an executive director of the Group.
- (VI) In April 2025, Dr. Liu Xiaofeng, Mr. Cao Jun and Dr. Yuan Hao were appointed as independent non-executive directors of the Group, with effect from the [REDACTED].

9. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group during the Relevant Periods, include three, three and four directors, respectively. Details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two, two and one highest paid employees who are neither a director nor chief executive of the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	507	629	482
Performance related bonuses	1,032	989	154
Pension scheme contributions	28	29	17
Equity-settled share award expenses	697	1,779	1,338
Total	2,264	3,426	1,991

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
HK\$1,000,001 to HK\$1,500,000	2	—	—
HK\$1,500,001 to HK\$2,000,000	—	1	—
HK\$2,000,001 to HK\$2,500,000	—	1	1
Total	2	2	1

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and/or operate.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the subsidiaries which operate in Chinese Mainland are subject to CIT at a rate of 25% on the taxable income.

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The Company qualifies as a high-tech enterprise and was entitled to a preferential enterprise income tax rate of 15% during the Relevant Periods. The Company renewed qualification as high-tech enterprise in October 2024 and is entitled to the preferential enterprise income tax rate of 15% for another three consecutive years.

The income tax expenses of the Group for the Relevant Periods are analysed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax — charge for the year	38,047	75,315	97,092
Deferred tax (<i>note 24</i>)	(2,287)	(8,282)	(17,019)
Total tax charge for the year	<u>35,760</u>	<u>67,033</u>	<u>80,073</u>

A reconciliation of tax expenses applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the income tax expenses at the effective income tax rate for each of the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	<u>187,705</u>	<u>350,113</u>	<u>435,747</u>
Tax at the statutory tax rate of 25%	46,926	87,528	108,937
Effect of different tax rate	(13,707)	(24,875)	(26,937)
Expenses not deductible for tax	5,410	10,267	8,708
Tax losses not recognised	192	204	358
Super deduction on research and development costs	(2,809)	(4,533)	(9,972)
Tax losses utilised from previous periods	(252)	(1,558)	(1,021)
Tax charge at the Group’s effective tax rate	<u>35,760</u>	<u>67,033</u>	<u>80,073</u>

11. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Dividends	<u>—</u>	<u>10,611</u>	<u>42,008</u>

On 30 June 2024, the Company declared dividends of RMB10,611,000 to its shareholders, which were fully paid in August 2024.

On 20 March 2025, the Company declared dividends of RMB42,008,000 to its shareholders, which were fully paid in August 2025.

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12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts during the Relevant Periods is based on the profit attributable to ordinary equity holders of the parent for the Relevant Periods and the weighted average numbers of ordinary shares in issue during the Relevant Periods.

The calculation of basic earnings per share is based on:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Earnings			
Profit attributable to owners of the parent	151,945	283,080	355,674
Less: profit attributable to share incentive expected to be vested with non-cancellable dividends	21,407	37,466	39,418
Total	<u>130,538</u>	<u>245,614</u>	<u>316,256</u>
	Number of shares		
	Year ended 31 December		
	2023	2024	2025
Shares			
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (<i>note</i>)	<u>43,966,997</u>	<u>48,139,657</u>	<u>58,246,193</u>

Note: The weighted average number of shares was after taking into account the effect of treasury shares held by the 2018 Share Incentive Plan and 2021 Share Incentive Plan to incentivize employees.

The Group had no potentially dilutive ordinary shares in issue throughout the Relevant Periods.

For the details of pre-[REDACTED] investments, please refer to note 25 to this report.

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ACCOUNTANTS’ REPORT

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and furnitures RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	28,280	4,080	880	5,486	38,726
Accumulated depreciation	(5,315)	(2,369)	(267)	(2,420)	(10,371)
Net carrying amount	<u>22,965</u>	<u>1,711</u>	<u>613</u>	<u>3,066</u>	<u>28,355</u>
At 1 January 2023, net of accumulated depreciation	22,965	1,711	613	3,066	28,355
Additions	50	1,035	—	4,749	5,834
Disposals	—	—	—	(68)	(68)
Depreciation provided during the year (note 6)	(1,375)	(751)	(207)	(2,416)	(4,749)
At 31 December 2023, net of accumulated depreciation	<u>21,640</u>	<u>1,995</u>	<u>406</u>	<u>5,331</u>	<u>29,372</u>
At 31 December 2023:					
Cost	28,330	5,115	880	10,067	44,392
Accumulated depreciation	(6,690)	(3,120)	(474)	(4,736)	(15,020)
Net carrying amount	<u>21,640</u>	<u>1,995</u>	<u>406</u>	<u>5,331</u>	<u>29,372</u>
31 December 2024					
At 1 January 2024:					
Cost	28,330	5,115	880	10,067	44,392
Accumulated depreciation	(6,690)	(3,120)	(474)	(4,736)	(15,020)
Net carrying amount	<u>21,640</u>	<u>1,995</u>	<u>406</u>	<u>5,331</u>	<u>29,372</u>
At 1 January 2024, net of accumulated depreciation	21,640	1,995	406	5,331	29,372
Additions	29,369	3,413	438	11,420	44,640
Disposals	—	(113)	—	(1,127)	(1,240)
Depreciation provided during the year (note 6)	(1,392)	(1,207)	(213)	(4,911)	(7,723)
At 31 December 2024, net of accumulated depreciation	<u>49,617</u>	<u>4,088</u>	<u>631</u>	<u>10,713</u>	<u>65,049</u>
At 31 December 2024:					
Cost	57,699	8,363	1,318	18,966	86,346
Accumulated depreciation	(8,082)	(4,275)	(687)	(8,253)	(21,297)
Net carrying amount	<u>49,617</u>	<u>4,088</u>	<u>631</u>	<u>10,713</u>	<u>65,049</u>

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ACCOUNTANTS’ REPORT

	Buildings and furnitures	Machinery and equipment	Motor vehicles	Leasehold improvements	Construction In progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2025						
At 1 January 2025:						
Cost	57,699	8,363	1,318	18,966	—	86,346
Accumulated depreciation	(8,082)	(4,275)	(687)	(8,253)	—	(21,297)
Net carrying amount	49,617	4,088	631	10,713	—	65,049
At 1 January 2025, net of accumulated depreciation	49,617	4,088	631	10,713	—	65,049
Additions	7,120	5,200	549	40,104	27,264	80,237
Disposals	(5,261)	(261)	—	(1,626)	—	(7,148)
Transfer	21,094	6,170	—	—	(27,264)	—
Depreciation provided during the year (<i>note 6</i>)	(2,433)	(2,290)	(350)	(13,012)	—	(18,085)
At 31 December 2025, net of accumulated depreciation	70,137	12,907	830	36,179	—	120,053
At 31 December 2025:						
Cost	77,618	18,331	1,867	57,120	—	154,936
Accumulated depreciation	(7,481)	(5,424)	(1,037)	(20,941)	—	(34,883)
Net carrying amount	70,137	12,907	830	36,179	—	120,053

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ACCOUNTANTS’ REPORT

The Company

	Buildings and furnitures	Machinery and equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023					
At 1 January 2023:					
Cost	185	3,889	833	4,085	8,992
Accumulated depreciation	(148)	(2,358)	(236)	(2,265)	(5,007)
Net carrying amount	37	1,531	597	1,820	3,985
At 1 January 2023, net of accumulated depreciation	37	1,531	597	1,820	3,985
Additions	49	938	—	4,161	5,148
Disposals	—	—	—	(68)	(68)
Depreciation provided during the year	(13)	(673)	(198)	(1,666)	(2,550)
At 31 December 2023, net of accumulated depreciation	73	1,796	399	4,247	6,515
At 31 December 2023:					
Cost	234	4,827	833	8,178	14,072
Accumulated depreciation	(161)	(3,031)	(434)	(3,931)	(7,557)
Net carrying amount	73	1,796	399	4,247	6,515
31 December 2024					
At 1 January 2024:					
Cost	234	4,827	833	8,178	14,072
Accumulated depreciation	(161)	(3,031)	(434)	(3,931)	(7,557)
Net carrying amount	73	1,796	399	4,247	6,515
At 1 January 2024, net of accumulated depreciation	73	1,796	399	4,247	6,515
Additions	28	2,676	127	11,084	13,915
Disposals	—	(112)	—	(506)	(618)
Depreciation provided during the year	(29)	(1,091)	(203)	(4,578)	(5,901)
At 31 December 2024, net of accumulated depreciation	72	3,269	323	10,247	13,911
At 31 December 2024:					
Cost	262	7,340	960	18,034	26,596
Accumulated depreciation	(190)	(4,071)	(637)	(7,787)	(12,685)
Net carrying amount	72	3,269	323	10,247	13,911

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ACCOUNTANTS’ REPORT

	<u>Buildings and furnitures</u> RMB’000	<u>Machinery and equipment</u> RMB’000	<u>Motor vehicles</u> RMB’000	<u>Leasehold improvements</u> RMB’000	<u>Total</u> RMB’000
31 December 2025					
At 1 January 2025:					
Cost	262	7,340	960	18,034	26,596
Accumulated depreciation	<u>(190)</u>	<u>(4,071)</u>	<u>(637)</u>	<u>(7,787)</u>	<u>(12,685)</u>
Net carrying amount	<u>72</u>	<u>3,269</u>	<u>323</u>	<u>10,247</u>	<u>13,911</u>
At 1 January 2025, net of accumulated depreciation	72	3,269	323	10,247	13,911
Additions	4	3,739	548	38,408	42,699
Disposals	(18)	(153)	—	(1,318)	(1,489)
Depreciation provided during the year	<u>(30)</u>	<u>(1,922)</u>	<u>(276)</u>	<u>(12,773)</u>	<u>(15,001)</u>
At 31 December 2025, net of accumulated depreciation	<u>28</u>	<u>4,933</u>	<u>595</u>	<u>34,564</u>	<u>40,120</u>
At 31 December 2025:					
Cost	207	9,901	1,508	53,927	65,543
Accumulated depreciation	<u>(179)</u>	<u>(4,968)</u>	<u>(913)</u>	<u>(19,363)</u>	<u>(25,423)</u>
Net carrying amount	<u>28</u>	<u>4,933</u>	<u>595</u>	<u>34,564</u>	<u>40,120</u>

14. LEASES

The Group as a lessee

The Group has lease contracts for office premises, dormitories, warehouses and self-operated stores used in its operations. Lump sum payments were made upfront to acquire the land use rights with useful lives of 50 years, and no ongoing payments will be made under the terms of these land use rights. Leases of office premises, dormitories, warehouses and self-operated stores generally have lease terms between 13 and 60 months.

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ACCOUNTANTS’ REPORT

(a) *Right-of-use assets*

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Office premises, dormitories, warehouses and self-operated stores	Land use rights	Total
	RMB’000	RMB’000	RMB’000
As at 1 January 2023	14,455	5,122	19,577
Additions	7,355	—	7,355
Depreciation charge	(9,606)	(135)	(9,741)
Exchange difference	2	—	2
As at 31 December 2023 and 1 January 2024	12,206	4,987	17,193
Additions	34,258	16,717	50,975
Termination of leases	(3,097)	—	(3,097)
Depreciation charge	(12,980)	(302)	(13,282)
Exchange difference	(20)	—	(20)
As at 31 December 2024 and 1 January 2025	30,367	21,402	51,769
Additions	32,752	—	32,752
Termination of leases	(3,651)	—	(3,651)
Depreciation charge	(13,723)	(470)	(14,193)
As at 31 December 2025	45,745	20,932	66,677

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of year	12,412	7,798	24,957
Accretion of interest recognised during the year	609	1,025	1,452
New leases	7,297	33,847	32,752
Termination of leases	—	(3,579)	(3,714)
Payments	(12,522)	(14,109)	(10,661)
Exchange difference	2	(25)	—
At end of year	7,798	24,957	44,786
Analysed into:			
Within 1 year	4,823	5,594	14,521
1 to 2 years	2,170	5,502	14,417
2 to 5 years	805	13,861	15,848
Total	7,798	24,957	44,786

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ACCOUNTANTS’ REPORT

- (c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	609	1,025	1,452
Depreciation charge of right-of-use assets	9,741	13,282	14,193
Gain on termination of leases	—	(482)	(63)
Expenses relating to short-term leases	6,554	11,415	13,015
Total amount recognised in profit or loss	16,904	25,240	28,597

The Company as a lessee

The Company has lease contracts for office premises, dormitories, warehouses and self-operated stores.

(a) *Right-of-use assets*

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Office premises, dormitories, warehouses and self-operated stores
	RMB'000
As at 1 January 2023	14,113
Additions	5,946
Depreciation charge	(9,218)
Exchange difference	2
As at 31 December 2023 and 1 January 2024	10,843
Additions	24,986
Termination of leases	(3,097)
Depreciation charge	(11,513)
Exchange difference	(20)
As at 31 December 2024 and 1 January 2025	21,199
Additions	30,570
Termination of leases	(2,810)
Depreciation charge	(11,075)
As at 31 December 2025	37,884

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	12,134	6,461	16,039
Accretion of interest recognised during the year	582	920	1,096
New leases	5,888	24,574	30,570
Termination of leases	—	(3,579)	(2,852)
Payments	(12,145)	(12,312)	(7,872)
Exchange difference	2	(25)	—
At end of year	6,461	16,039	36,981
Analysed into:			
Within 1 year	4,057	2,460	11,896
1 to 2 years	2,061	3,791	11,935
2 to 5 years	343	9,788	13,150
Total	6,461	16,039	36,981

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ACCOUNTANTS’ REPORT

15. INTANGIBLE ASSETS

The Group

	Software RMB’000	Trademarks RMB’000	Total RMB’000
31 December 2023			
At 1 January 2023:			
Cost	1,168	4,805	5,973
Accumulated amortisation	(573)	(1,461)	(2,034)
Net carrying amount	595	3,344	3,939
At 1 January 2023, net of accumulated amortisation	595	3,344	3,939
Additions	608	—	608
Amortisation provided during the year (<i>note 6</i>)	(282)	(481)	(763)
At 31 December 2023, net of accumulated amortisation	921	2,863	3,784
At 31 December 2023:			
Cost	1,776	4,805	6,581
Accumulated amortisation	(855)	(1,942)	(2,797)
Net carrying amount	921	2,863	3,784
31 December 2024			
At 1 January 2024:			
Cost	1,776	4,805	6,581
Accumulated amortisation	(855)	(1,942)	(2,797)
Net carrying amount	921	2,863	3,784
At 1 January 2024, net of accumulated amortisation	921	2,863	3,784
Additions	3,204	—	3,204
Amortisation provided during the year (<i>note 6</i>)	(522)	(481)	(1,003)
At 31 December 2024, net of accumulated amortisation	3,603	2,382	5,985
At 31 December 2024:			
Cost	4,980	4,805	9,785
Accumulated amortisation	(1,377)	(2,423)	(3,800)
Net carrying amount	3,603	2,382	5,985

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	<u>Software</u> <u>RMB’000</u>	<u>Trademarks</u> <u>RMB’000</u>	<u>Total</u> <u>RMB’000</u>
31 December 2025			
At 1 January 2025:			
Cost	4,980	4,805	9,785
Accumulated amortisation	<u>(1,377)</u>	<u>(2,423)</u>	<u>(3,800)</u>
Net carrying amount	<u>3,603</u>	<u>2,382</u>	<u>5,985</u>
At 1 January 2025, net of accumulated amortisation	3,603	2,382	5,985
Additions	7,080	—	7,080
Amortisation provided during the year (<i>note 6</i>)	<u>(1,911)</u>	<u>(480)</u>	<u>(2,391)</u>
At 31 December 2025, net of accumulated amortisation	<u>8,772</u>	<u>1,902</u>	<u>10,674</u>
At 31 December 2025:			
Cost	12,060	4,805	16,865
Accumulated amortisation	<u>(3,288)</u>	<u>(2,903)</u>	<u>(6,191)</u>
Net carrying amount	<u>8,772</u>	<u>1,902</u>	<u>10,674</u>

The Company

	<u>Software</u> <u>RMB’000</u>
31 December 2023	
At 1 January 2023:	
Cost	1,168
Accumulated amortisation	<u>(573)</u>
Net carrying amount	<u>595</u>
At 1 January 2023, net of accumulated amortisation	595
Additions	608
Amortisation provided during the year	<u>(282)</u>
At 31 December 2023, net of accumulated amortisation	<u>921</u>
At 31 December 2023:	
Cost	1,776
Accumulated amortisation	<u>(855)</u>
Net carrying amount	<u>921</u>

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ACCOUNTANTS’ REPORT

	<u>Software</u> <u>RMB’000</u>
31 December 2024	
At 1 January 2024:	
Cost	1,776
Accumulated amortisation	<u>(855)</u>
Net carrying amount	<u>921</u>
At 1 January 2024, net of accumulated amortisation	921
Additions	3,204
Amortisation provided during the year	<u>(522)</u>
At 31 December 2024, net of accumulated amortisation	<u>3,603</u>
At 31 December 2024:	
Cost	4,980
Accumulated amortisation	<u>(1,377)</u>
Net carrying amount	<u>3,603</u>
	<u>Software</u> <u>RMB’000</u>
31 December 2025	
At 1 January 2025:	
Cost	4,980
Accumulated amortisation	<u>(1,377)</u>
Net carrying amount	<u>3,603</u>
At 1 January 2025, net of accumulated amortisation	3,603
Additions	7,080
Amortisation provided during the year	<u>(1,911)</u>
At 31 December 2025 net of accumulated amortisation	<u>8,772</u>
At 31 December 2025:	
Cost	12,060
Accumulated amortisation	<u>(3,288)</u>
Net carrying amount	<u>8,772</u>

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16. INVENTORIES

The Group

	As at 31 December		
	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	<u>238,186</u>	<u>595,090</u>	<u>869,966</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	75,708	89,282	147,227
Finished goods	193,413	552,157	783,536
	269,121	641,439	930,763
Provision for impairment of inventories	(36,929)	(57,740)	(80,748)
Total	<u>232,192</u>	<u>583,699</u>	<u>850,015</u>

17. TRADE RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	105,213	233,851	459,696
Impairment	(1,638)	(1,593)	(856)
Net carrying amount	<u>103,575</u>	<u>232,258</u>	<u>458,840</u>

The Group’s trade receivables usually generate from sales through online platform and offline stores, the trade receivables derived from the offline stores are mainly collected via shopping malls or retail partners, which amounted to RMB12,701,000, RMB49,878,000 and RMB65,730,000 respectively as at 31 December 2023, 2024 and 2025. The Group usually grants a credit period of 60 days to 90 days to online platforms and 45 days to 60 days to offline stores. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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An ageing analysis of the trade receivables of the Group as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	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

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of 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 year	1,638	1,593	856

Trade receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates used in the provision matrix are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that are available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s trade receivables:

	Individually assessed	Credit risk exposure using a provision matrix					Total
		Within 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years	
At 31 December 2023							
Expected credit loss rate	0.06%	0.92%	4.26%	10.96%	52.23%	100.00%	
Gross carrying amount (RMB'000)	82,522	18,441	1,456	301	2,447	46	105,213
Expected credit losses (RMB'000)	49	170	62	33	1,278	46	1,638
At 31 December 2024							
Expected credit loss rate	0.05%	0.69%	4.28%	9.90%	56.76%	100.00%	
Gross carrying amount (RMB'000)	176,610	53,350	1,587	1,131	488	685	233,851
Expected credit losses (RMB'000)	82	369	68	112	277	685	1,593
At 31 December 2025							
Expected credit loss rate	0.04%	0.27%	3.76%	12.35%	58.18%	100.00%	
Gross carrying amount (RMB'000)	264,344	192,482	2,497	243	55	75	459,696
Expected credit losses (RMB'000)	106	519	94	30	32	75	856

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	103,178	225,838	396,837
Impairment	(1,626)	(1,507)	(767)
Net carrying amount	<u>101,552</u>	<u>224,331</u>	<u>396,070</u>

An ageing analysis of the trade receivables of the Company as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	98,749	221,732	393,453
3 to 6 months	1,372	1,572	2,382
6 to 12 months	262	909	213
1 to 2 years	1,169	118	22
Total	<u>101,552</u>	<u>224,331</u>	<u>396,070</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	1,060	1,626	1,507
Impairment/(reversal of impairment) of trade receivables, net	566	(119)	185
Amount written off as uncollectible	—	—	(925)
At end of year	<u>1,626</u>	<u>1,507</u>	<u>767</u>

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	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
Recoverable VAT	432	2,413	3,643
Deposits and other receivables*	5,754	9,764	16,934
[REDACTED]	—	—	3,169
Prepaid income tax	—	—	210
Impairment allowance	<u>42,653</u> <u>(59)</u>	<u>102,193</u> <u>(97)</u>	<u>149,064</u> <u>(150)</u>
Total	<u>42,594</u>	<u>102,096</u>	<u>148,914</u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Prepayments	20,998	57,086	66,326
Right-of-return assets	4,696	9,461	12,926
Deposits and other receivables*	89,396	75,979	74,063
[REDACTED]	—	—	3,169
	115,090	142,526	156,484
Impairment allowance	(37)	(69)	(110)
Total	115,053	142,457	156,374

Except for certain loss allowance provided for deposits and other receivables, there was no recent history of default and past due amounts.

* Deposits and other receivables were mainly security deposits for online and offline stores. Deposits and other receivables were non-interest-bearing and should be repaid after the contract terms.

19. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash and bank balances	51,064	366,177	721,576
Less: Restricted cash	4	1,504	4,000
Pledged deposits (note 21)	—	10,506	4,332
Cash and cash equivalents	51,060	354,167	713,244
Denominated in:			
HKD	—	—	181
RMB	50,724	283,256	709,952
USD	—	70,322	2,716
KRW	336	589	395
Total	51,060	354,167	713,244

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	36,329	329,744	561,542
Less: Restricted cash	4	1,504	4,000
Pledged deposits	—	10,506	4,332
Cash and cash equivalents	<u>36,325</u>	<u>317,734</u>	<u>553,210</u>
Denominated in:			
RMB	35,989	246,823	550,354
USD	—	70,322	2,461
KRW	<u>336</u>	<u>589</u>	<u>395</u>
Total	<u>36,325</u>	<u>317,734</u>	<u>553,210</u>

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wealth management products	<u>140,794</u>	<u>—</u>	<u>30,000</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wealth management products	<u>137,395</u>	<u>—</u>	<u>30,000</u>

Wealth management products are issued by banks in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at 31 December		
	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	<u>422</u>	<u>195</u>	<u>4</u>
Total	<u>160,474</u>	<u>274,906</u>	<u>472,673</u>

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	159,238	274,416	467,196
1 to 2 years	734	251	1,485
Over 2 years	422	195	4
Total	160,394	274,862	468,685

Trade and bills payables were non-interest-bearing and were normally settled on terms of 60 to 90 days.

The Group’s bills payables of RMB10,506,000 and RMB4,332,000 were secured by pledged deposits of the Group of RMB10,506,000 and RMB4,332,000 as at 31 December 2024 and 2025, respectively. There were no bills payables as at 31 December 2023.

22. OTHER PAYABLES AND ACCRUALS

The Group

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

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities (a)	152,046	164,480	45,311
Refund liabilities (b)	17,363	39,632	69,622
Other payables (c)	6,568	13,143	90,571
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other tax payables	18,641	23,779	34,320
Payrolls payables	12,924	20,247	27,458
Accrued expenses	6,019	14,611	54,844
Total	213,561	283,412	325,298

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- (a) Contract liabilities mainly include short-term advances received from distributors related to the sale of products. Details of contract liabilities are as follows:

The Group

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Sales of goods	4,312	8,916	17,328	17,454

The Company

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Sales of goods	45,029	152,046	164,480	45,311

- (b) Refund liabilities represented the obligation arising from right of return to refund some or all of the consideration received (or receivable) from a customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each of Relevant Periods.
- (c) Other payables were non-interest-bearing and were repayable on demand.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group and the Company

	As at 31 December 2023		
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank loan — secured (a)	3.65%	2024/3/8	3,000
Bank loan — unsecured	3.45%	2024/4/27	5,000
Total			8,000

As at 31 December 2024 and 2025, the Group had no interest-bearing bank borrowings.

- (a) The Group borrowed a guaranteed loan of RMB3,000,000 from HuiShang Bank Corporation Limited (“徽商银行股份有限公司”) on 8 March 2023 with a maturity date of 8 March 2024. The bank loan was guaranteed by a third-party Anhui Puhui Financing Guarantee Company Limited (“安徽省惠普融資擔保有限公司”). The loan was fully repaid on 5 March 2024.

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24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

The Group

Deferred tax liabilities

	Right-of-use assets RMB'000	Right-of-return assets RMB'000	Total RMB'000
At 1 January 2023	2,202	696	2,898
Deferred tax (credited)/charged to profit or loss during the year	(542)	190	(352)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	1,660	886	2,546
Deferred tax charged to profit or loss during the year	3,323	1,306	4,629
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	4,983	2,192	7,175
Deferred tax charged to profit or loss during the year	2,059	3,407	5,466
Gross deferred tax liabilities at 31 December 2025	7,042	5,599	12,641

Deferred tax assets

	Lease liabilities RMB'000	Impairment of trade and other receivables RMB'000	Impairment of inventories RMB'000	Equity-settled share award scheme RMB'000	Refund liabilities and provision RMB'000	Unrealized profit arising in intra-group transactions RMB'000	Total RMB'000
At 1 January 2023	1,890	207	4,591	781	2,066	167	9,702
Deferred tax credited/(charged) to profit or loss (or equity) during the year	(898)	47	989	612	929	256	1,935
Gross deferred tax assets at 31 December 2023 and 1 January 2024	992	254	5,580	1,393	2,995	423	11,637
Deferred tax credited/(charged) to profit or loss (or equity) during the year	3,142	(5)	3,119	1,885	4,591	179	12,911
Gross deferred tax assets at 31 December 2024 and 1 January 2025	4,134	249	8,699	3,278	7,586	602	24,548
Deferred tax credited/(charged) to profit or loss (or equity) during the year	2,754	(90)	3,457	28,743	9,926	213	45,003
Gross deferred tax assets at 31 December 2025	6,888	159	12,156	32,021	17,512	815	69,551

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For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	9,091	17,373	56,910

The Company

Deferred tax liabilities

	Right-of-use assets RMB'000	Right-of-return assets RMB'000	Total RMB'000
At 1 January 2023	2,117	494	2,611
Deferred tax (credited)/charged to profit or loss during the year	(490)	210	(280)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	1,627	704	2,331
Deferred tax charged to profit or loss during the year	1,548	715	2,263
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	3,175	1,419	4,594
Deferred tax charged to profit or loss during the year	2,508	520	3,028
Gross deferred tax liabilities at 31 December 2025	5,683	1,939	7,622

Deferred tax assets

	Lease liabilities RMB'000	Impairment of trade and other receivables RMB'000	Impairment of inventories RMB'000	Equity-settled share award scheme RMB'000	Refund liabilities and provision RMB'000	Total RMB'000
At 1 January 2023	1,827	163	4,568	781	1,648	8,987
Deferred tax credited/(charged) to profit or loss (or equity) during the year	(851)	86	971	612	956	1,774
Gross deferred tax assets at 31 December 2023 and 1 January 2024	976	249	5,539	1,393	2,604	10,761
Deferred tax credited/(charged) to profit or loss (or equity) during the year	1,430	(13)	3,122	1,885	3,341	9,765
Gross deferred tax assets at 31 December 2024 and 1 January 2025	2,406	236	8,661	3,278	5,945	20,526
Deferred tax credited/(charged) to profit or loss (or equity) during the year	3,141	(104)	3,451	28,743	4,499	39,730
Gross deferred tax assets at 31 December 2025	5,547	132	12,112	32,021	10,444	60,256

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For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Net deferred tax assets recognised in the consolidated statement of financial position	8,430	15,932	52,634

25. SHARE CAPITAL

The Group and the Company

Shares

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Issued and fully paid:			
Ordinary shares with par value of RMB1.00 each	53,091	60,011	67,322

A summary of movements in the Company’s share capital is as follows:

	Number of shares in issue	Share capital
	’000	RMB’000
At 1 January 2023	50,000	50,000
Issue of new shares	3,091	3,091
At 31 December 2023 and 1 January 2024	53,091	53,091
Issue of new shares	6,920	6,920
At 31 December 2024 and 1 January 2025	60,011	60,011
Issue of new shares	7,311	7,311
At 31 December 2025	67,322	67,322

Pursuant to the shareholders agreement entered into between the Company and the Investors from June 2023 to March 2025 (collectively, the “**Agreements**”), the Company issued ordinary shares thereto with a total consideration of approximately RMB661,818,441 (collectively the “**Pre-[REDACTED] Investments**”) with the respective par value being recorded as share capital and the remainder as reserves. Pursuant to the Agreements, the Investors were granted by the Company with special rights which included redemption rights.

There was no exercise of redemption rights granted by the Company throughout the Relevant Periods.

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On 20 March 2025, the Company and the Pre-[REDACTED] Investors subsequently entered into supplemental agreements, agreeing that the redemption rights granted by the Company to 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 the Company’s jurisdiction and the governing law of the supplemental agreements, the directors considered that it is appropriate to present the Pre-[REDACTED] Investments as equity throughout the Relevant Periods.

Had the redemption rights granted by the 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 at 31 December		
	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	<u>273,126</u>	<u>553,417</u>	<u>1,590,555</u>

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

	Year ended 31 December		
	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	<u>2.89</u>	<u>4.55</u>	<u>5.19</u>

26. RESERVES

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The Group’s capital reserve mainly represents the net proceeds received in excess of the total amount of the par value of the Company’s shares.

(b) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Company, the Company is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company, the statutory reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after this conversion is not less than 25% of the registered capital of the Company. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

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The Company

The amounts of the Company’s reserves and the movements therein for the Relevant Periods are presented as below:

	Capital reserve	Statutory reserve	Share award scheme reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 31 December 2022 and 1 January 2023	56,737	2,431	5,208	24	1,076	65,476
Profit for the year	—	—	—	(1)	115,236	115,235
Issue of new shares	65,909	—	—	—	—	65,909
Equity-settled share award scheme	—	—	4,078	—	—	4,078
Transfer to statutory reserve	—	15,194	—	—	(15,194)	—
At 31 December 2023 and 1 January 2024	122,646	17,625	9,286	23	101,118	250,698
Profit for the year	—	—	—	(87)	224,707	224,620
Issue of new shares	281,351	—	—	—	—	281,351
Equity-settled share award scheme	—	—	12,568	—	—	12,568
Dividends declared to the shareholders	—	—	—	—	(10,618)	(10,618)
Transfer to statutory reserve	—	12,380	—	—	(12,380)	—
At 31 December 2024 and 1 January 2025	403,997	30,005	21,854	(64)	302,827	758,619
Profit for the year	—	—	—	93	239,635	239,728
Issue of new shares	284,015	—	—	—	—	284,015
Equity-settled share award scheme	—	—	41,505	—	—	41,505
Tax implications related to a share incentive plan	—	—	22,518	—	—	22,518
Dividends declared to the shareholders	—	—	—	—	(42,008)	(42,008)
Transfer to statutory reserve	—	3,655	—	—	(3,655)	—
At 31 December 2025	688,012	33,660	85,877	29	496,799	1,304,377

27. SHARE-BASED PAYMENTS

The Group adopted the Share Incentive Plans for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Pursuant to the Share Incentive Plans, the Employee Incentive Platforms were established to hold ordinary shares of the Company. Eligible participants including directors, members of senior management and core employees of the Group were granted unit of partnership in the Employee Incentive Platforms.

The fair value of the units of the Employee Incentive Platforms under the Share Incentive Plans at the grant day is measured by Black-Scholes model and the market value of the shares. During the Relevant Periods, the Company granted 936,556, 174,989 and 1,590,079 units, respectively.

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Details of the granted units of partnership in the Employee Incentive Platforms are as follows:

	<u>Number of units</u>	<u>Subscription price per units</u>	<u>Fair value of the units</u>
August 2018	1,815,092	RMB1.00	RMB3.50
September 2019	72,000	RMB1.00	RMB6.43
December 2020	72,000	RMB1.00	RMB6.24
December 2021 to January 2022	1,137,252	RMB2.50	RMB12.47
Effect of conversion into a joint stock company*	4,219,078	N/A	N/A
November 2023	936,556	RMB1.06	RMB22.32
December 2024	174,989	RMB1.06	RMB41.67
April 2025	1,508,269	RMB1.06	RMB41.67
December 2025	81,810	RMB1.06	RMB61.79

* In April 2022 the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The number of restricted shares was converted at the ratio of 1:2.36.

The following units of the Employee Incentive Platforms were outstanding under the Share Incentive Plans during the Relevant Periods:

	<u>Number of units</u>
At 31 December 2022 and 1 January 2023	6,853,179
Granted during the year	936,556
Forfeited during the year	<u>(317,888)</u>
At 31 December 2023 and 1 January 2024	7,471,847
Granted during the year	174,989
Forfeited during the year	<u>(174,989)</u>
At 31 December 2024 and 1 January 2025	7,471,847
Granted during the year	1,590,079
Forfeited during the year	<u>(1,590,079)</u>
At 31 December 2025	<u>7,471,847</u>

The Group recognised share-based payment expenses of RMB4,078,000, RMB12,568,000 and RMB41,505,000 in profit or loss for the above-mentioned units granted to directors, members of senior management and core employees of the Group for the years ended 31 December 2023, 2024 and 2025, respectively.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transaction

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,297,000, RMB33,847,000 and RMB31,761,000 respectively, in respect of lease agreements.

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(b) Changes in liabilities arising from financing activities

	Bank borrowings	Lease liabilities	Dividends
	RMB’000	RMB’000	RMB’000
At 1 January 2023	20,862	12,412	—
Changes from financing cash flows	(14,001)	(12,522)	—
New leases	—	7,297	—
Interest incurred	1,139	609	—
Exchange difference	—	2	—
At 31 December 2023 and 1 January 2024	8,000	7,798	—
Dividends declared	—	—	10,611
Changes from financing cash flows	(8,824)	(14,109)	(10,611)
New leases	—	33,847	—
Interest incurred	824	1,025	—
Termination of leases	—	(3,579)	—
Exchange difference	—	(25)	—
At 31 December 2024 and 1 January 2025	—	24,957	—
Dividends declared	—	—	42,008
Changes from financing cash flows	—	(10,661)	(42,008)
New leases	—	32,752	—
Interest incurred	—	1,452	—
Termination of leases	—	(3,714)	—
At 31 December 2025	—	44,786	—

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within operating activities	5,593	10,056	11,309
Within financing activities	12,522	14,109	10,661
Total	18,115	24,165	21,970

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29. CONTINGENT LIABILITIES

As at 31 December 2023, 2024 and 2025, neither the Group nor the Company had any material contingent liabilities.

30. PLEDGE OF ASSETS

Details of the Group’s assets pledged for the Group’s bills payable and bank borrowings are included in note 21 and note 23, respectively, to the Historical Financial Information.

31. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Contracted, but not provided for:			
Property, plant and equipment	—	14,219	218

32. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	3,087	3,469	5,169
Performance related bonuses	4,156	3,580	3,558
Pension scheme contributions	124	131	146
Equity-settled share award expenses	3,643	5,968	35,840
Total compensation paid to key management personnel	11,010	13,148	44,713

Further details of director’s and the chief executive’s emoluments are included in note 8 to the Historical Financial Information.

According to the Agreements, the Pre-[REDACTED] investors were granted the redemption right by the Controlling Shareholders (“Liu Zhen and Hua Jingling”). The Company has not provided any form of guarantee in connection with any potential failure of the Controlling Shareholders to fulfill their obligations relating to the redemption rights granted by Controlling Shareholders. Accordingly, no financial liability regarding redemption rights granted by Controlling Shareholders was recorded by the Company during the Relevant Periods.

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33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

The Group

31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	RMB’000	RMB’000	RMB’000
Trade receivables	—	103,575	103,575
Financial assets included in prepayments, other receivables and other assets	—	5,695	5,695
Financial assets at fair value through profit or loss	140,794	—	140,794
Restricted cash and pledged deposits	—	4	4
Cash and cash equivalents	—	51,060	51,060
Total	140,794	160,334	301,128

Financial liabilities

	Financial liabilities at amortised cost
	RMB’000
Trade and bills payables	160,474
Financial liabilities included in other payables and accruals	15,136
Interest-bearing bank borrowings	8,000
Total	183,610

31 December 2024

Financial assets

	Financial assets at amortised cost
	RMB’000
Trade receivables	232,258
Financial assets included in prepayments, other receivables and other assets	9,667
Restricted cash and pledged deposits	12,010
Cash and cash equivalents	354,167
Total	608,102

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Financial liabilities

	Financial liabilities at amortised cost
	RMB’000
Trade and bills payables	274,906
Financial liabilities included in other payables and accruals	<u>40,321</u>
Total	<u><u>315,227</u></u>

31 December 2025

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	Financial assets at amortised cost	Total
	RMB’000	RMB’000	RMB’000
Trade receivables	—	458,840	458,840
Financial assets included in prepayments, other receivables and other assets	—	16,784	16,784
Financial assets at fair value through profit or loss	30,000	—	30,000
Restricted cash and pledged deposits	—	8,332	8,332
Cash and cash equivalents	—	<u>713,244</u>	<u>713,244</u>
Total	<u><u>30,000</u></u>	<u><u>1,197,200</u></u>	<u><u>1,227,200</u></u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB’000
Trade and bills payables	472,673
Financial liabilities included in other payables and accruals	<u>124,774</u>
Total	<u><u>597,447</u></u>

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The Company

31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	RMB’000	RMB’000	RMB’000
Trade receivables	—	101,552	101,552
Financial assets included in prepayments, other receivables and other assets	—	89,359	89,359
Financial assets at fair value through profit or loss	137,395	—	137,395
Restricted cash and pledged deposits	—	4	4
Cash and cash equivalents	—	36,325	36,325
Total	137,395	227,240	364,635

Financial liabilities

	Financial liabilities at amortised cost
	RMB’000
Trade and bills payables	160,394
Financial liabilities included in other payables and accruals	12,587
Interest-bearing bank and other borrowings	8,000
Total	180,981

31 December 2024

Financial assets

	Financial assets at amortised cost
	RMB’000
Trade receivables	224,331
Financial assets included in prepayments, other receivables and other assets	75,910
Restricted cash and pledged deposits	12,010
Cash and cash equivalents	317,734
Total	629,985

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Financial liabilities

	Financial liabilities at amortised cost
	RMB’000
Trade and bills payables	274,862
Financial liabilities included in other payables and accruals	<u>35,274</u>
Total	<u><u>310,136</u></u>

31 December 2025

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	Financial assets at amortised cost	Total
	RMB’000	RMB’000	RMB’000
Trade receivables	—	396,070	396,070
Financial assets included in prepayments, other receivables and other assets	—	73,953	73,953
Financial assets at fair value through profit or loss	30,000	—	30,000
Restricted cash and pledged deposits	—	8,332	8,332
Cash and cash equivalents	—	<u>553,210</u>	<u>553,210</u>
Total	<u><u>30,000</u></u>	<u><u>1,031,565</u></u>	<u><u>1,061,565</u></u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB’000
Trade and bills payables	468,685
Financial liabilities included in other payables and accruals	<u>148,587</u>
Total	<u><u>617,272</u></u>

For the details of pre-[REDACTED] investments, please refer to Note 25 to this report.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

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The Group’s finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The fair value of the financial asset is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group invests in financial assets at fair value through profit or loss, which represent wealth management products issued by banks.

The Group

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total RMB’000
	Quoted prices in Active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
As at 31 December 2023				
Wealth management products	—	140,794	—	140,794
As at 31 December 2025				
Wealth management products	—	30,000	—	30,000

The Company

The following tables illustrate the fair value measurement hierarchy of the Company financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total RMB’000
	Quoted prices in Active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	
As at 31 December 2023				
Wealth management products	—	137,395	—	137,395
As at 31 December 2025				
Wealth management products	—	30,000	—	30,000

The Group and the Company did not have any financial assets measured at fair value as at 31 December 2024.

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2023, 2024 and 2025.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments include interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and other receivables, other payables and accruals and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

As at the end of each of the Relevant Periods, the Group did not have any significant exposure to foreign currency risk.

Credit risk

The Group’s 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 fair value through profit and loss, cash and cash equivalents included in the consolidated statement of financial position represent the Group’s maximum exposure to credit risk in relation to its financial assets.

Maximum exposure and year end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year end staging classification as at the end of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	105,213	105,213
Financial assets included in prepayments, other receivables and other assets					
— Normal**	5,695	—	—	—	5,695
— Doubtful**	—	—	59	—	59
Restricted cash and pledged deposits —					
Not yet past due	4	—	—	—	4
Cash and cash equivalents — Not yet past due	51,060	—	—	—	51,060
Total	56,759	—	59	105,213	162,031

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As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	233,851	233,851
Financial assets included in prepayments, other receivables and other assets					
— Normal**	9,667	—	—	—	9,667
— Doubtful**	—	—	97	—	97
Restricted cash and pledged deposits — Not yet past due	12,010	—	—	—	12,010
Cash and cash equivalents — Not yet past due	354,167	—	—	—	354,167
Total	375,844	—	97	233,851	609,792

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	459,696	459,696
Financial assets included in prepayments, other receivables and other assets					
— Normal**	16,784	—	—	—	16,784
— Doubtful**	—	—	150	—	150
Restricted cash and pledged deposits — Not yet past due	8,332	—	—	—	8,332
Cash and cash equivalents — Not yet past due	713,244	—	—	—	713,244
Total	738,360	—	150	459,696	1,198,206

The Company

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	103,178	103,178
Financial assets included in prepayments, other receivables and other assets					
— Normal**	89,359	—	—	—	89,359
— Doubtful**	—	—	37	—	37
Restricted cash and pledged deposits — Not yet past due	4	—	—	—	4
Cash and cash equivalents — Not yet past due	36,325	—	—	—	36,325
Total	125,688	—	37	103,178	228,903

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ACCOUNTANTS’ REPORT

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	225,838	225,838
Financial assets included in prepayments, other receivables and other assets					
— Normal**	75,910	—	—	—	75,910
— Doubtful**	—	—	69	—	69
Restricted cash and pledged deposits — Not yet past due	12,010	—	—	—	12,010
Cash and cash equivalents — Not yet past due	317,734	—	—	—	317,734
Total	405,654	—	69	225,838	631,561

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables*	—	—	—	396,837	396,837
Financial assets included in prepayments, other receivables and other assets					
— Normal**	73,953	—	—	—	73,953
— Doubtful**	—	—	110	—	110
Restricted cash and pledged deposits — Not yet past due	8,332	—	—	—	8,332
Cash and cash equivalents — Not yet past due	553,210	—	—	—	553,210
Total	635,495	—	110	396,837	1,032,442

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 17 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 17 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty. At 31 December 2023, 2024 and 2025, 60%, 64% and 59% of the total trade receivables, respectively, were due from the Group’s largest debtor, and 85%, 81% and 74% of the total trade receivables, respectively, were due from the Group’s five largest debtors.

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Liquidity risk

The Group monitors and maintains a level of cash and cash equivalent deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group’s financial liabilities as at 31 December 2023, 2024 and 2025, based on the contractual undiscounted payments, is as follows:

The Group

<u>31 December 2023</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Trade and bills payables	160,474	—	160,474
Financial liabilities included in other payables and accruals	15,136	—	15,136
Lease liabilities	5,129	3,020	8,149
Interest-bearing bank borrowings	8,824	—	8,824
Total	<u>189,563</u>	<u>3,020</u>	<u>192,583</u>
<u>31 December 2024</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Trade and bills payables	274,906	—	274,906
Financial liabilities included in other payables and accruals	40,321	—	40,321
Lease liabilities	6,523	20,846	27,369
Total	<u>321,750</u>	<u>20,846</u>	<u>342,596</u>
<u>31 December 2025</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Trade and bills payables	472,673	—	472,673
Financial liabilities included in other payables and accruals	124,774	—	124,774
Lease liabilities	17,170	34,257	51,427
Total	<u>614,617</u>	<u>34,257</u>	<u>648,874</u>

The maturity profile of the Company’s financial liabilities as at 31 December 2023, 2024 and 2025, based on the contractual undiscounted payments, is as follows:

The Company

<u>31 December 2023</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
Trade and bills payables	160,394	—	160,394
Financial liabilities included in other payables and accruals	12,587	—	12,587
Lease liabilities	4,295	2,435	6,730
Interest-bearing bank borrowings	8,824	—	8,824
Total	<u>186,100</u>	<u>2,435</u>	<u>188,535</u>

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31 December 2024	Within 1 year	1 to 5 years	Total
	RMB’000	RMB’000	RMB’000
Trade and bills payables	274,862	—	274,862
Financial liabilities included in other payables and accruals	35,274	—	35,274
Lease liabilities	3,030	14,491	17,521
Total	313,166	14,491	327,657
31 December 2025	Within 1 year	1 to 5 years	Total
	RMB’000	RMB’000	RMB’000
Trade and bills payables	468,685	—	468,685
Financial liabilities included in other payables and accruals	148,587	—	148,587
Lease liabilities	14,098	26,698	40,796
Total	631,370	26,698	658,068

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity holders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at 31 December 2023, 2024 and 2025 were as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Total assets	635,653	1,435,797	2,490,192
Total liabilities	290,420	517,343	902,630
Gearing ratio	45.69%	36.03%	36.25%

36. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Investment, at cost	61,767	92,591	92,591

37. EVENTS AFTER THE RELEVANT PERIODS

In February 2026, the Company’s shareholders’ meeting approved the resolution to declare a dividend of RMB100,982,541. As at the date of this report, the dividend of RMB75,364,467 was paid.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2025.