OVERVIEW

Who We Are

We are one of the leading branded apparel groups in China, distinguished by a diversified brand portfolio, an extensive supply chain network and strong channel integration capabilities. In 2025, we were the fifth-largest apparel group in China by revenue, according to Frost & Sullivan. As of December 31, 2025, we had a total of over 7,330 stores.

We are one of the leading menswear brand operators in China. Our core brand series, HLA, has long maintained an undisputed leadership in the industry. According to Frost & Sullivan, in terms of revenue:

- HLA had ranked first in the Asian menswear market for 12 consecutive years since 2014;
- HLA achieved a market share of 5.4% in China's menswear market in 2025, exceeding the combined share of the second to fifth-largest market participants; and
- HLA remained the only Chinese menswear brand as of the Latest Practicable Date to have its annual revenue surpassing RMB10 billion.

As of December 31, 2025, we operated 5,504 stores under HLA across 31 provincial-level administrative regions in China, covering nearly all prefecture-level cities. Combined with 121 stores overseas, we have established a global HLA sales network comprising 5,625 stores as of December 31, 2025. In addition to menswear, our proprietary brand portfolio includes OVV, a light-luxury womenswear brand, and YeeHoO (英氏), a premium baby and kidswear brand, to address diverse consumer preferences and expressions of individuality.

Beyond our proprietary brands, we have established strategic partnerships with globally renowned sports brands. We are a distributor of the Adidas Future City Concept ("**FCC**") business in Chinese mainland and hold the license to operate HEAD-branded apparel in Chinese mainland, Hong Kong, Macau and Taiwan of China. We are also a long-standing market leader in China's corporate apparel customization sector with over two decades of history, ranking as China's largest manufacturer of corporate apparel customization by revenue in the Track Record Period in China, according to Frost & Sullivan.

We are firmly committed to global expansion and continuing to strengthen our international presence. Guided by a multi-brand, omni-channel and globally oriented development strategy, we are steadily extending our reach beyond China. Our store network now spans Malaysia, the Philippines, Vietnam, Singapore, Thailand, Indonesia, Laos, Cambodia, the Maldives, Kenya, Australia and the United Arab Emirates. As of December 31, 2025, we had 142 overseas directly-operated stores, establishing a growing international footprint.

Our Market Opportunities

China's apparel industry stands as one of the world's largest and most dynamic consumer markets, offering significant potential for continued expansion and structural upgrade. According to Frost & Sullivan, the market size of China's apparel industry by revenue is expected to reach RMB2,017.5 billion by 2030. As the market evolves toward higher quality and operational efficiency, it presents both opportunities and challenges for established enterprises with strong brand equity, extensive sales networks and integrated value chains to capture sustainable, outsized growth.

Consumption. China's new generation of consumers, led by Generation Z and the rising middle class, seeks apparel that expresses individuality, cultural confidence and modern lifestyle values. The rapid ascent of sports-inspired fashion and contemporary Chinese aesthetics is energizing the market, while the integration of online and offline sales channels has transformed the shopping journey into a fluid, interactive experience. In addition, consumers nowadays are more discerning and pragmatic, favoring value-for-money products that combine design integrity, reliable quality and fair pricing. As a result, leading brands with strong reputations and direct consumer access are enjoying deeper loyalty, higher repurchase rates and expanding market share.

Supply. Intelligent and digitalized production systems, automation and data-driven decision-making are transforming traditional manufacturing models. Functional innovation — is accelerating product differentiation. These developments are raising both the creative and technical thresholds of the industry, enabling forward-looking companies to deliver products with greater speed, precision and environmental responsibility.

Retail. The boundaries between physical and digital retail continue to dissolve as shopping malls and department stores enhance emotional engagement through membership ecosystems and experiential merchandising. Meanwhile, content-driven social commerce platforms are reshaping brand communication, shortening the conversion path between inspiration and purchase. The convergence of these channels is reshaping consumer behavior, amplifying brand influence and unlocking new avenues of growth.

Geographies. Emerging geographies within China also represent powerful drivers of demand. Prefecture-level and lower-tier cities are demonstrating robust consumption potential as domestic brands and e-commerce platforms expand deeper into these markets, releasing new waves of apparel spending. Domestic apparel enterprises are accelerating their international expansion across Southeast Asia, the Middle East and Africa, capturing growth opportunities in fast-developing economies and building globally recognized brands.

Industry. The apparel industry is entering an era defined by integration, innovation and sustainability. The convergence of artificial intelligence and textile manufacturing is enabling collaborative innovation across the value chain. Generative AI is being applied to design, production planning and supply chain management, enhancing efficiency, precision and creativity while reducing waste. These advances are not only reshaping how apparel is made and marketed but are also redefining the competitive frontiers of China's apparel industry — one that is increasingly intelligent, sustainable and globally connected.

Our Business Model

To meet diverse consumer preferences and expressions of individuality, we have built a well-balanced proprietary multi-brand portfolio that includes HLA, the light-luxury womenswear brand OVV, and the premium baby and kidswear brand YeeHoO (英氏). Building upon our success in proprietary brands, we have further extended into partnerships with international sports brands to expand our brand ecosystem. Our collaborations with HEAD and Adidas encompass brand management, supply chain coordination and retail operations, strengthening our multi-brand operations. We further launched our urban outlets, a new retail format, in 2024, featuring well-known international brands and high-quality products to advance our new retail strategy.

Proprietary Brand Operations. For proprietary brand operations, we integrate product innovation, supply chain consolidation, omni-channel sales operations and digitalized management into a unified ecosystem. By aligning the interests of every participant along the value chain, we achieve efficient coordination, responsive execution and scalable sales growth across China.

- In product design, we emphasize collaboration and innovation. We conduct extensive market research to anticipate consumer trends and translate those insights into design concepts. We work closely with suppliers in joint product design and development, combining our creative leadership with their technical capabilities and design resources. This collaborative approach ensures originality while accelerating the product design and development cycle.

- In procurement, we prioritize efficiency, flexibility and sustainability. Leveraging our effective supply chain management system, HLA adopts a model primarily based on returnable procurement that allows unsold inventory to be returned to suppliers, supplemented by non-returnable procurement arrangements.

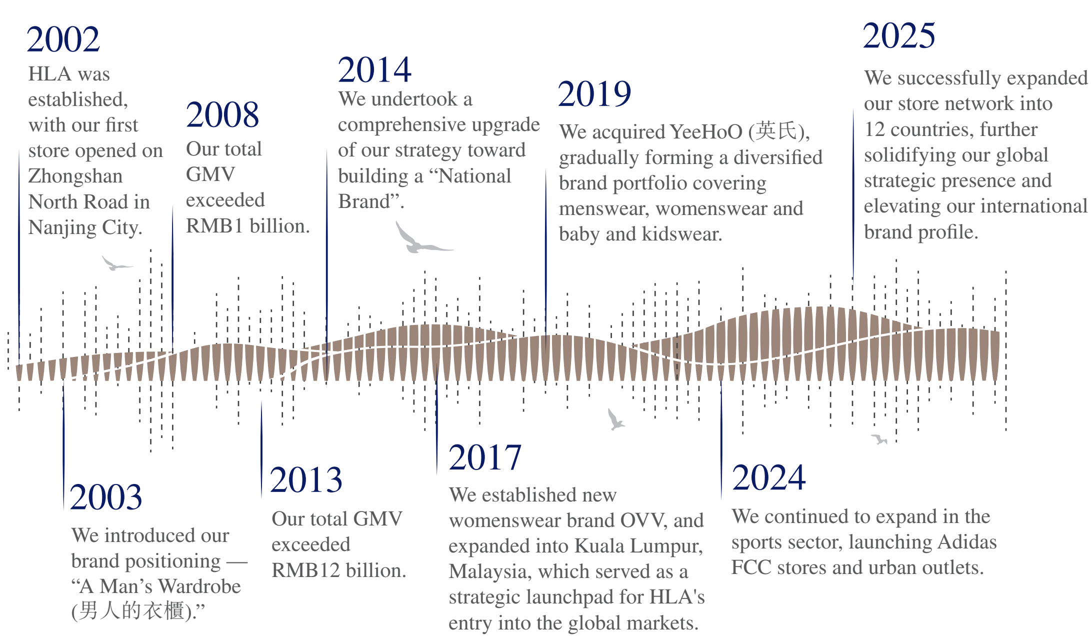
- In retail operations, we provide all directly-operated and partner-operated stores with comprehensive operational support to ensure a unified brand image and consistent consumer experience nationwide. Our centralized inventory mechanism enables centralized management and real-time allocation of products across directly-operated and partner-operated stores. Supported by big data analytics, we recommend optimal product assortments, while our nationwide logistics network ensures fast replenishment and efficient merchandise transfers. Under our partnership model, with our assistance on daily operations, our store partners are responsible for rent and daily operating expenses. We settled with store partners based on actual sell-through. This mutually beneficial arrangement creates alignment of interests and fosters long-term loyalty between our Company and store partners.

Corporate Apparel Customization Business. In our corporate apparel customization business, we design apparel that reflects the unique identity and professional image of each customer. Production is primarily completed in our in-house production facilities and sold under a direct-to-business model.

International Sports Brand Cooperation and Urban Outlet Business. For our international sports brand cooperation and urban outlet business, we leverage our nationwide channel resources and sales network management expertise to achieve rapid and standardized store rollouts while maintaining operational excellence.

Our Journey

Our history can be traced through nearly three decades of growth and transformation — from our origins in fabric manufacturing, to the establishment of our corporate apparel customization business, followed by the creation, development and expansion of HLA, the cultivation of a diversified brand portfolio and our subsequent embarkation on a path toward internationalization. The chart below illustrates our brands' major milestones over the past two decades:



Our Financial Performance

In 2023, 2024 and 2025, we achieved revenue of RMB20,754.4 million, RMB20,162.1 million and RMB21,061.7 million, respectively, and recorded net profit of RMB2,918.4 million, RMB2,189.0 million and RMB2,132.0 million for those same years. Our gross profit margin improved over the Track Record Period, reaching 45.2%, 45.5% and 45.3% in 2023, 2024 and 2025, respectively, reflecting our continued focus on product quality, operational efficiency and refined sales network management. We have consistently maintained strong cash generation and devoted to delivering solid returns to shareholders. Net cash from operating activities amounted to RMB5,100.5 million, RMB1,812.9 million and RMB4,183.2 million in 2023, 2024 and 2025, respectively. Supported by ample cash reserves, we remain committed to sharing the results of our growth with shareholders. We declared aggregate dividends of RMB6.6 billion for the years ended 2023, 2024 and 2025, representing a cumulative payout ratio of 91.1%.

OUR STRENGTHS

Undisputed Leadership in China's Menswear Industry with Scale-Driven Competitive Advantage

We are the undisputed leader in China's menswear industry. Our expanding national and international presence has created a powerful ecosystem of scale — one that can strengthen our cost efficiency, supply chain integration, product innovation, channel reach and brand perception. Together, these advantages create structural barriers that are difficult for competitors to replicate:

Operational Efficiency. Our standardized operation model allows us to achieve economies of scale across store design, training and logistics. As of December 31, 2025, our offline sales network comprised 2,981 directly-operated stores and 4,122 partner-operated stores, supported by centralized inventory management and a nationwide logistics system. Our centralized inventory mechanism enables real-time product allocation across stores, while digital tools such as RFID tracking and SAP-based systems improve operational efficiency and reduce per-store operating costs.

Supply Chain Strengths. Our scale also extends upstream. As of December 31, 2025, we maintained stable relationships with over 120 apparel OEM manufacturers, with 46.8% having cooperated with us for more than 10 years. By aggregating demand across our extensive store network, we provide our suppliers with large-volume, predictable orders, ensuring cost-effectiveness and production efficiency. In addition, we adopt a returnable procurement arrangement with our suppliers, under which unsold products can be returned to suppliers and payments are settled based on actual sell-through. This model reduces inventory obsolescence risk, aligns supplier incentives with sales performance and enables us to maintain high inventory flexibility at scale.

Consumer Insight and Product Optimization. As of December 31, 2025, we had approximately 60.5 million brand members, representing a large and loyal customer base. Our vast consumer base generates rich data insights that allow us to understand evolving preferences and refine our product offerings in real time. Through our Retail Operations Decision System and Product Development Data Center, we analyze sell-through rates, regional preferences and transaction data to guide product design, assortment planning and pricing decisions.

Channel Penetration and Agility. Leveraging our dense offline store network, we integrate online and offline channels across e-commerce platforms such as Tmall and JD.com, short video platforms such as Douyin and Kuaishou, and social media platforms such as Xiaohongshu and WeChat. We also offer instant retail services through platforms such as Meituan, enabling customers to place online orders that are fulfilled by nearby stores, which shortens delivery times and supports conversion.

Brand Visibility and Consumer Trust. Over more than a decade of leadership, HLA has become a household name synonymous with trust, quality and style. Since 2023, HLA has been selected for three consecutive years into China Media Group's "Brand Power Project — Leading Brand," reinforcing our position as a benchmark brand in China's apparel industry.

Strong Brand Moat Built on a Comprehensive Multi-Brand Portfolio Covering Diverse Consumer Segments and Lifestyles

To cater to the diverse preferences of our target consumers, we have strategically adopted a comprehensive "multi-category, group-oriented" brand portfolio that spans key sectors including menswear, womenswear, baby and kidswear and sportswear, creating strong synergies in customer targeting, brand positioning and product design. Leveraging deep market insights and content-driven innovation, we have created a synergistic portfolio of brands to resonate deeply with consumers and strengthen our competitive edge.

HLA — National Brand Image Resonating with Consumers

HLA is our flagship brand and the core of our brand portfolio. During the Track Record Period, revenue generated from HLA consistently accounted for over 70% of our total revenue of the respective years. As China's largest menswear brand series, HLA commands an undisputed leadership position in the market. Established in 2002, HLA has consistently embodied the values of trust and reliability, becoming a brand that consumers can depend on and feel a sense of companionship with. Having achieved broad market acceptance, HLA has expanded its retail footprint both in China and overseas. By offering stylish designs, high-quality products and a genuinely comfortable wearing experience, HLA has built a strong, heartfelt image as a household national brand.

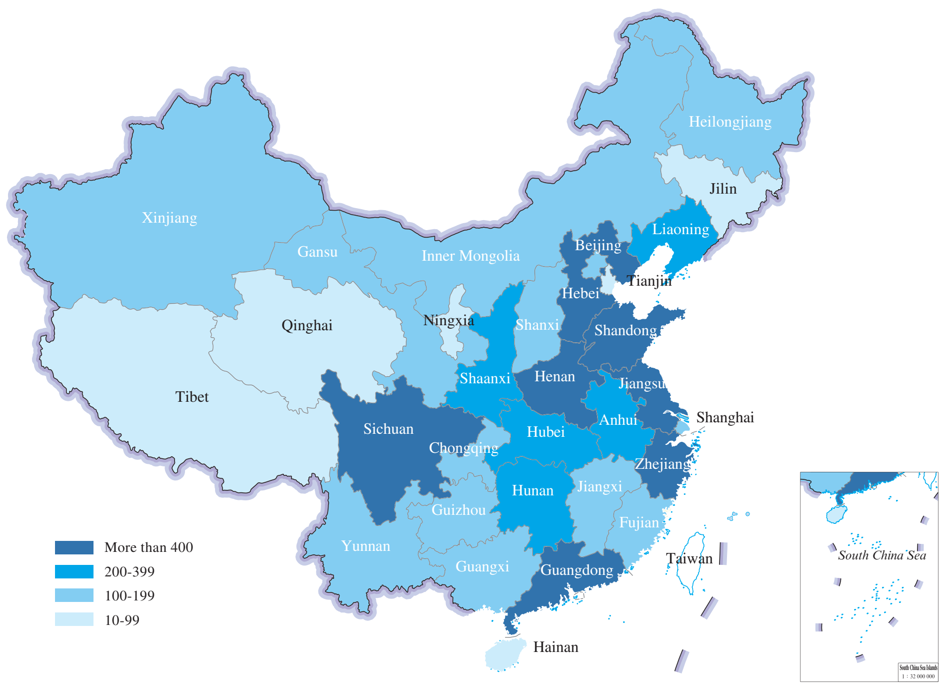
Guided by the philosophy of "creating apparel with vitality (創造有生命力的服飾)," HLA consistently innovates across every facet of the brand — from product design to marketing strategies — capturing the spirit of contemporary consumer values. The brand's deep engagement with its audience is demonstrated through high-profile collaborations, including sponsorships of iconic sports events like the Wuxi Marathon and the Chinese Super League.

Sports Brands, OVV and YeeHoO (英氏) — Distinctive Brand Offerings Creating Effective Complementarity

Our diversified brand portfolio ensures a well-rounded approach to meeting the demands of various consumer segments. HEAD brings professional-grade sports apparel and gear, focusing on skiing and tennis. In parallel, the Adidas FCC line offers value-for-money products designed for a broad range of consumers. In addition, OVV, our light luxury womenswear brand, offer natural and elegant apparel to female consumers, serves the modern, independent woman, offering an elegant fusion of design and functionality that fits seamlessly into both business and lifestyle wardrobes. YeeHoO (英氏), our premium baby and kidswear brand, has built a strong foundation in China's high-end baby and kidswear market over the past 30 years. YeeHoO (英氏) remains the trusted choice for families seeking comfort and quality for their little ones, having earned the loyalty of mothers over three decades. Our deep understanding of evolving consumer preferences, paired with constant product innovation and strategic market positioning, has allowed us to craft a formidable multi-brand portfolio.

Comprehensive Omni-Channel Sales Network Driving the Creation of a New Retail Ecosystem

We operate the largest and most deeply penetrating offline network in China's menswear industry, according to Frost & Sullivan. As of December 31, 2025, our brands boasted a nationwide presence with 7,183 stores in China, including 5,504 under HLA across 31 provincial-level administrative regions, covering nearly all prefecture-level cities in China. The following map presents our store network in China as of December 31, 2025:



We are focused on improving the quality and effectiveness of our stores, particularly those in key commercial districts and high-growth areas. By partnering with leading shopping malls, we have accelerated the expansion of stores within these locations, enhancing brand recognition and influence in strategic markets. During the Track Record Period, the number and proportion of our stores located in shopping malls continued to increase. As of December 31, 2025, over 30% of our stores were located in shopping malls.

We have implemented unified store management and staff training systems to ensure consistency across various store types, allowing us to manage product pricing, management structures, product allocation and maintain brand integrity. Through standardized store operations, consistent visual branding and service protocols, we ensure a high-quality shopping experience for consumers across all touchpoints.

Beyond offline channels, we have strategically expanded our presence across traditional e-commerce platforms such as Tmall and JD.com, as well as social commerce platforms like Douyin, continuously capturing the benefits of online traffic growth.

Our omni-channel development strategy integrates digital tools with humanized in-store services to enhance customer engagement and improve repeat purchase rates. This approach has created an integrated business where online and offline channels complement each other. As of December 31, 2025, our brand members numbered 60.5 million, a large and loyal customer base that forms a solid foundation for our continued growth.

New Growth Driver Fueled by an Accelerated Internationalization Strategy that Created an Emerging Global Presence

Going Global

We are proactively implementing our internationalization strategy of "rooting in Southeast Asia, expanding across Asia-Pacific and reaching the world" (紮根東南亞、輻射亞太、着眼全球). Our international footprint is expanding rapidly. As of the Latest Practicable Date, we had over 150 stores across key markets including Malaysia, the Philippines, Vietnam, Singapore, Thailand, Indonesia, Laos, the Maldives and Kenya. In September 2025, we marked our entry into the Australian market with the opening of our first HLA store at Westfield Eastgardens in Sydney. In November 2025, we further expanded into the Middle East market by opening our first Middle East store at Dubai Festival City Mall in Dubai, the United Arab Emirates. Our efforts have yielded significant results. In 2025, our overseas revenue amounted to RMB453.5 million, representing a 27.7% increase from 2024.
The GMV of our directly-operated stores located in overseas markets experienced continuous growth throughout the Track Record Period, amounting to RMB280.1 million, RMB369.1 million and RMB470.1 million in 2023, 2024 and 2025, respectively.

To cater to international markets, we have tailored our product offerings to local preferences. For Southeast Asia, we developed exclusive collections designed for the region's climate and cultural tastes, incorporating lightweight fabrics, vibrant colors and regionally-inspired designs. Our stores in prominent international commercial districts reflect a modern, global aesthetic, helping us deepen our market penetration. With strong brand equity, we have secured prime locations in prestigious shopping malls such as Pavilion in Kuala Lumpur and Siam Paragon/Central World in Bangkok. Looking ahead, we will continue to strengthen our presence in Southeast Asia while exploring new opportunities in Central Asia, the Middle East and Africa, further expanding our global footprint and laying the foundation for sustainable, long-term growth.

Bringing in

We have entered into a long-term trademark license arrangement with HEAD, the renowned Austrian sports brand. This partnership significantly bolsters our position in sports categories like skiing and tennis, leveraging international sporting events to build brand recognition and consumer trust. Through our subsidiary Spoz, we have formed a long-term strategic cooperation with Adidas. This strategic expansion has established us as a key player in China's rapidly growing sportswear and outdoor apparel market, creating a strong growth channel for the future.

High Operational Efficiency through Technological Innovation, Solidifying Competitive Advantages Across the Value Chain

Lean Supply Chain Management and Digital Transformation Driving Operational Efficiency

We place strong emphasis on digital transformation and have continuously enhanced our information systems to cover the whole process. Our systems integrate supplier data, product development, inventory management and sales performance, ensuring seamless data flow and real-time visibility across all operational stages. Supported by a centralized big data platform, we are enabled to maintain full transparency and timely insights that facilitate efficient decision-making and continuous operational optimization.

Through our SAP enterprise system, we have achieved deep integration of data across store sales, warehousing, logistics and supplier production. We have built an intelligent tracking system that enables real-time visibility throughout the product lifecycle using the unique RFID identification code assigned to each product. From digitalized warehousing, storage, allocation and picking to shipping and in-store sales, our system monitors inventory and sales data in real time, enhancing supply chain transparency and operational efficiency.

We continue to optimize digital systems such as E3+, SCM Collaborative Purchasing and Sales, and SAP EWM for warehouse management. We are also exploring the full potential of digital tools, further strengthening the coordination of internal and platform systems. These improvements enable us to streamline the processing of exchanges, replenishments and returns, thereby improving operational efficiency and enhancing customer experience.

Together, our diversified digital systems form a unified, data-driven management framework that connects product development, retail decision-making and supply chain collaboration. This end-to-end integration enables intelligent upgrades across all processes and establishes a comprehensive digital system covering the entire product lifecycle, further strengthening our competitive advantage along the value chain.

Technology and Design as Dual Engines Driving a Diverse and High-Quality Product Portfolio

Our business is driven by the dual engines of technology and design, which power the creation of a diverse portfolio of innovative, high-quality products.

In terms of product technology development, our HLA Cloud Apparel Laboratory is developed to continually drive advancements in fabric technology, material testing, fashion culture research and intelligent manufacturing software, accelerating the convergence of technology, fashion and sustainability. We have also established strategic collaborations with leading academic and research institutions, including Tsinghua University, Donghua University and the China Textile Academy, jointly setting up R&D centers and research platforms. These partnerships focus on the development of new materials and cultural design concepts, empowering the apparel industry with technology, enhancing product competitiveness and supporting innovation-led industrial upgrading in China's apparel sector.

Our commitment to product excellence is further reflected in the continued development of new materials, advanced techniques and innovative product designs. We have launched the "Harmony of Nature (韻彩自然)" summer series featuring advanced moisture-wicking, quick-drying and long-lasting antibacterial fabrics with wrinkle-resistant and cooling functions. We have also upgraded the "FreshAir Jacket (清新夾克)" outdoor series using cutting-edge performance technologies, and introduced the "Aurora Thermal (禦寒極光)" series, which employs high-performance insulation materials such as 800-fill power down and 95% down content to deliver superior warmth in extreme cold conditions.

In addition, in line with the rising popularity of culturally inspired design, we have introduced the "Rise of the Dragon (龍騰九州)" series and the "Bluey (布魯伊)" co-branded IP collection, which blend traditional cultural aesthetics with contemporary design. These products enrich our cultural narrative and strengthen the emotional connection between our brand and consumers, reinforcing our position as a leading national apparel brand.

Integrated Model Driving Operational Efficiency, Risk Control and Supply Chain Synergy

Our business model integrates and empowers both upstream suppliers and downstream store partners.

Collaborative Product Development and Agile Sourcing with Suppliers through a "Shared Benefits, Shared Risks" Mechanism. Our supply chain differentiates us from other industry players and enables us to deliver an evolving assortment of quality products at exceptional value through a platform-based model that supports large-scale and efficient collaboration with a wide network of suppliers. As of December 31, 2025, we had cultivated stable relationships with over 120 apparel OEM manufacturers, supported by China's strong apparel manufacturing capabilities, with the number of those collaborating with us for over ten years accounting for 46.8% of our overall supplier base. By aggregating demand across our extensive store network, we provide our suppliers with large-volume, predictable orders, ensuring cost-effectiveness and production efficiency.

We strengthen supplier collaboration through a unique "shared benefits, shared risks" mechanism, which is operationalized by our returnable procurement arrangement. Under this arrangement, we are able to return unsold products to suppliers and settle payments with suppliers on a monthly basis after product sell-through, a practice that strategically balances inventory risk between both parties. Coupled with the procurement arrangement at scale, the arrangement incentivizes suppliers to deeply align with our goals, focusing on product quality and market relevance to ensure sell-through performance. This fundamental alignment of interests creates a responsive and cooperative supply chain dedicated to sustainable growth.

Integrated Store Network with Standardized Management. On the retail front, we mainly employ a hybrid strategy combining directly-operated stores and a store partnership model. While the store partnership model helped us rapidly scale our sales return during our early stage of development, HLA assists the store partners in store operations, including staff training, visual merchandising, inventory allocation and customer service. We guarantee a uniform brand experience and operational excellence across all stores. Store partners are responsible for operating cost like rent, labor cost and utilities, but not inventory obsolescence risk. This structure allows us to dynamically allocate inventory based on real-time sales data from across the network, optimizing stock levels and maximizing sales potential.

By integrating design, production, allocation and retail operations, the model connects the entire supply chain and enables real-time synchronization between front-end demand and back-end supply, which enables rapid replenishment cycles, typically three to five days, that allows for timely response to market needs and supports efficient sell-through. Suppliers gain access to stable and large-scale orders together with meaningful market insights, enabling production scale and specialization. For HLA, the business model translates into an expandable retail footprint, reduced inventory obsolete risks and enhanced profitability through the sale of high-quality, competitively priced products, which in turn fosters synergistic growth across the value chain.

Experienced Core Management Team with Strong Commitment to Social Responsibility

We have a stable and experienced management team with an average of over 20 years of industry experience. Our senior executives possess deep insights into the development of the apparel industry and evolving consumer preferences, enabling our Group to capture market opportunities and respond effectively to industry challenges.

Since assuming the position of Chairman in 2020, Mr. Zhou Lichen has led our Group's strategic transformation toward a multi-brand, multi-category and group-oriented business structure. Under his leadership, we have captured growth opportunities in the rapidly expanding sportswear segment by forming strategic partnerships with internationally renowned brands such as Adidas and HEAD. We have also collaborated with JD.com to launch urban outlets, further exploring the new retail model and reinforcing our position as a leading multi-brand apparel group in China.

Our core management team has successfully built and managed a diversified brand portfolio supported by a complex multi-business operating model, which reflects the team's forward-looking strategic vision and exceptional management capabilities.

To support our transformation toward intelligent manufacturing and digital operations, we have implemented a comprehensive talent development strategy focused on empowerment, tiered cultivation and continuous innovation. We have established a sustainable talent ecosystem that is people-oriented, performance-driven and innovation-led. Our training system covers employees at all levels from new recruits to senior management, offering targeted programs by function and seniority to foster professional competence, career advancement and a strong sense of belonging. This ensures a solid talent foundation to support our long-term growth.

While pursuing high-quality development, we remain firmly committed to social responsibility. We actively participate in national initiatives and public welfare programs, extending our social impact in areas such as sports, education and community development. Through long-standing efforts such as the "One More Gram of Warmth (多一克溫暖)" charity campaign, which provides donations and educational support to underprivileged regions, and our active support of the "Fitness for All (全民健身)" and "Sports Power Nation (體育強國)" initiatives through sponsorship of city marathons and rural sports events, we promote healthy lifestyles and cultural exchange. We also sponsored the "Gravity-1 HLA Rocket (引力一號海瀾之家號)" to contribute to China's aerospace advancement. Collectively, these initiatives reflect our commitment to social progress and our aspiration to create lasting public value through the influence of our national brand.

OUR STRATEGIES

Continuously Promoting Brand Building, Expanding Product Portfolio and Enhancing Consumer Engagement

We remain firmly focused on our core apparel business and will continue to leverage the advantages of our group-oriented brand management model to strengthen brand equity and enhance our brand portfolio. Through brand marketing and consumer engagement activities, we seek to deepen the emotional connection between our brands and consumers and further elevate overall brand influence. Anchored by our aspiration to build a "national super brand," we aim to enhance brand value by extending consumer perception from "national trust" to "youth recognition." By integrating cultural expression with creative marketing, we will continue to enrich the emotional value of our products and advance brand building across product, marketing and service dimensions, shaping a mutually reinforcing ecosystem between brands and users.

Enhancing Scale Advantages and Expanding the Product Portfolio. Product development will remain at the center of our strategy as we integrate supply-chain collaboration to expand our portfolio built around functionality, fashion and brand. We plan to deepen and broaden our best-selling product lines and diversify our offerings to meet apparel needs across different age groups, lifestyles and occasions. By gaining a precise understanding of evolving consumer preferences, particularly among younger demographics, and leveraging our flexible supply-chain capabilities, we aim to build a "core category plus extended scenario" framework that accelerates product incubation.

With an extensive assortment and distinctive brand identity, we aim to attract a wider customer base and offer products that combine diversity, quality and strong value. We also intend to focus on "new national style" and "new street fashion" as key design directions, promoting the creative integration of intangible cultural heritage and advanced technologies to develop culturally distinctive and market-leading products.

Diversifying Marketing Channels to Enhance Brand Visibility. We will adopt diversified marketing approaches centered on high-quality brand content to deepen interaction and engagement with consumers across online and offline platforms. Planned initiatives include the regular appointment of brand ambassadors, sponsorship of high-profile events, expanding collaboration with well-known celebrities and the production of promotional videos and corporate documentaries to enhance brand visibility. At the same time, we will continue to strengthen our digital marketing ecosystem. While consolidating our presence on established e-commerce platforms, we will further invest in content-driven social and short-form video verticals to accelerate the growth of our online channels. In addition, we intend to expand livestream initiatives and strengthen KOL partnerships as part of our efforts to diversify marketing channels and enhance brand visibility across digital platforms.

Enhancing Service Experience and Strengthening Customer Loyalty. We will embrace the experience economy by creating immersive retail environments that foster deeper professional and emotional engagement with consumers. To better connect with younger audiences, we plan to pursue diverse initiatives such as IP-based collaborations, partnerships with young idols, sponsorship of sports events and the development of new retail formats including "urban outlet" concepts. In parallel, we will upgrade our smart retail experience through omni-channel integration, data-driven insight and intelligent in-store technologies. By combining immersive environments with precision membership management, we aim to strengthen long-term customer relationships and cultivate a shared ecosystem where brands and users grow together.

Strengthening R&D and Digitalization to Drive Transformation toward "Technology, Fashion and Sustainability"

We have continued to increase our investment in research and development in the past few years, steadily building a competitive edge in digital operations and apparel innovation. We remain committed to a technology-driven strategy that enhances product functionality and value creation, focusing on advanced materials, sustainable practices and design innovation to develop a high-value product portfolio and accelerate our transformation toward "technology, fashion and sustainability."

Enhancing R&D Investment and Product Innovation. We intend to further strengthen our R&D capabilities through the HLA Cloud Apparel Laboratory, which serves as our core platform for material innovation, fabric testing and intelligent manufacturing development. Our R&D efforts will focus on (i) testing garment quality and fabric performance, (ii) developing new materials to enhance functionality and comfort, and (iii) explore clothes pattern that are suitable for overseas consumers. We will deepen collaboration with leading academic and research institutions such as top universities and specialized textile research centers to establish joint R&D centers and innovation platforms. These partnerships will focus on new material development, process optimization and apparel culture studies, fostering technological advancement, product innovation and industrial upgrading across China's apparel sector.

Driving Digital and Intelligent Transformation. We will continue to digitalize our operations by leveraging big data analytics to capture fashion trends and strengthen our innovation pipeline. In manufacturing, we plan to build an intelligent production ecosystem supported by a design database of human body dimensions, digital apparel cloud and manufacturing cloud, complemented by an AI-based body measurement system. Through the digital integration of product design, manufacturing, logistics and retail, we are establishing an end-to-end intelligent management framework that underpins the HLA Smart Apparel System. This system enables comprehensive oversight and coordination across the entire product lifecycle, from design to consumer delivery. In addition, we plan to further facilitate the digital transformation of our day-to-day operation and strengthen the security, reliability and resilience of our information system.

Embedding Green and Sustainable Development. We embed sustainability at the heart of our brand and business strategy, fully implementing China's dual-carbon initiative. We are committed to driving industry-wide progress by promoting the use of eco-friendly materials, advancing green production technologies and fostering responsible consumption. Through intelligent transformation and technological innovation, we aim to build a smarter, more sustainable apparel value chain that balances environmental stewardship with long-term growth.

Leveraging Technology and Sports to Drive Breakthrough Growth in the Sportswear Segment

To realize our strategic goal of becoming a multi-brand, omni-channel apparel group, we are actively strengthening our presence in the sportswear segment. Through brand partnerships, product innovation and channel expansion, we are systematically building competitiveness in this fast-growing category. Going forward, we will continue to anchor innovation in technology and harness the power of sports, developing a multi-dimensional growth model that propels our sports brands beyond conventional boundaries.

Driving Product Innovation through Technology. We seek to combine the functional requirements of sports and outdoor apparel with the strong R&D capabilities of our core brand to continuously advance product innovation. For example, leveraging our collaborations with universities in jointly establishing R&D centers, we focus on developing and commercializing high-performance functional fabrics, with research spanning four key areas — functional technology, intelligent living, fashion trends and sustainability. Building upon these efforts, we have launched high-performance products such as the "Voyager Storm Jacket," designed to meet consumers' growing demand for apparel that balances advanced functionality with contemporary aesthetics.

Amplifying Brand Influence through Sports Integration. We integrate brand marketing with major sporting events to align athletic spirit with brand values and enhance recognition in the sports and outdoor market. By sponsoring high-profile sports events, we aim to strengthen our brand's association with vitality and health while enriching the image of HLA as a "national super brand." Our approach emphasizes a multi-level and broad-based partnership strategy that connects with diverse sports communities. We create immersive brand experiences throughout the event journey — from participation to audience engagement — embedding our brand presence into every touchpoint. In addition, we plan to introduce event-inspired co-branded collections, transforming event exposure into both brand resonance and sales growth, and driving a virtuous cycle of brand awareness and commercial performance.

Driving Channel Optimization through Refined Operations and Emerging Formats

We continue to advance a diversified omni-channel strategy and strengthen end-to-end digital capabilities that span product design, supply chain management, logistics and retail operations. By integrating online and offline channels, we enhance supply chain efficiency and channel productivity, establishing a solid foundation for sustainable and high-quality growth.

In our offline business, we plan to deepen cooperation with leading shopping malls, expand steadily into high-quality retail complexes and increase the proportion of stores in prime locations while optimizing the distribution of street-side stores. In particular, we plan to open new directly-operated stores for HLA, OVV, YeeHoO and Adidas FCC in shopping malls and department stores in tier-1 and tier-2 cities across China. We are introducing advanced digital management tools to enhance precision and speed in operational decision-making, thereby improving store efficiency and overall retail performance. Meanwhile, we aim to elevate consumer engagement through high-quality products and attentive in-store experiences that reinforce emotional connection with our brands. We will also continue to expand in high-potential segments such as sportswear and outlet formats, further strengthening the contribution of our diversified brand portfolio.

In terms of online expansion, we view digitalization as a key growth driver and are integrating online and offline channels, diversifying platform partnerships and adopting frontier technologies to build an efficient, seamless and scalable retail ecosystem. In particular, we intend to leverage our presence on major e-commerce platforms such as Tmall and JD.com and social media platforms such as Douyin and Xiaohongshu to enhance brand visibility and attract new customers. Capitalizing on the ongoing digitalization trend, we plan to further expand our online footprint by strengthening collaborations with KOLs and KOCs while enhancing livestream marketing and branded content creation. These initiatives are designed to drive sales growth and reinforce brand competitiveness. We intend to deepen member-centric precision operations by developing a tiered membership system that enables targeted engagement and greater customer lifetime value. To strengthen content marketing, we are building a centralized content hub and developing structured campaigns such as styling tutorials, fabric technology features and designer stories. We will also expand collaboration with key opinion consumers ("**KOCs**") to attract and retain users through creative and relevant content. Operationally, we are enhancing smart logistics and fulfillment by enabling end-to-end inventory visibility and intelligent allocation, which improves responsiveness and consumer experience. In parallel, we are expanding into emerging social commerce channels and localizing our overseas social commerce operations to strengthen market penetration and brand affinity in targeted regions. In particular, we intend to leverage the existing online platforms and establish our own brand website to enhance our products offering in overseas markets and to conduct brand promotion activities targeted at overseas customers.

Anchored in refined channel management and powered by the synergy of integrated online and offline operations, we will continue to develop new retail formats and explore emerging business models that capture evolving consumer trends and unlock new growth opportunities for our Group.

Deepening Internationalization and Expanding Global Presence to Enhance Brand Influence and Create New Growth Drivers

We are committed to advancing an internationalization strategy that combines "bringing in" and "going global." Building upon our strengths in brand incubation, we are extending our reach through deeper partnerships with international brands while accelerating overseas expansion. Through this dual approach, we aim to strengthen our global footprint, enhance the international profile of our brands and cultivate new growth momentum for our Group.

Expanding Strategic Cooperations with International Sports Brands. We plan to continue broadening our network of global partnerships by introducing more high-quality international sports brands into our portfolio. Leveraging our extensive retail network and strong channel management capabilities, we will further expand our collaboration with internationally renowned sports brands such as HEAD and Adidas, driving continued growth in the sportswear segment. For example, we plan to focus on HEAD's core strengths in tennis and skiing, co-hosting tennis tournament and sponsoring top tier championships. In the urban outlet business, we intend to strengthen cooperation with leading global brands while expanding our offline presence. By enriching the brand portfolio and product assortment of urban outlets with a wider range of premium yet affordable offerings, we seek to provide consumers with more diverse and value-driven choices, further enhancing the platform's positioning as a destination for quality international sports brands.

Accelerating Overseas Market Expansion. We are accelerating the expansion of our global presence under the strategy of "rooting in Southeast Asia, expanding across Asia-Pacific and reaching the world." Guided by the principle of "in the local market, for the local market," we are deepening our presence in key overseas markets while strengthening our international brand image and overall competitiveness. Building on our solid foundation in mature Southeast Asian markets such as Malaysia, the Philippines, Vietnam and Singapore, we plan to further expand into emerging markets including Australia, Africa, the Middle East and Central Asia. In particular, we intend to extend our offline sales network by opening new stores in key markets in South East Asia, the Middle East and Central Asia, with a view to enhance brand visibility and provide localized products and shopping experiences to our overseas customers. In addition, we plan to amplify our global footprint, leveraging existing online e-commerce, social media platforms while developing our proprietary brand website. Through a growing network of international stores featuring modern design and a globally aligned brand image, we aim to enhance visibility, strengthen brand awareness and reinforce the global influence of our portfolio.

Pursuing Strategic Investments and Acquisitions to Broaden Brand, Product and Channel Coverage

As we advance our globalization strategy and expand our business footprint, we are also actively exploring strategic investment and acquisition opportunities to extend our brand portfolio and strengthen our ecosystem. We intend to pursue transactions aligned with our core business, focusing on high-quality assets that complement our brand, product and channel structure. By capturing suitable market opportunities, we aim to cultivate new growth engines and enhance our Group's long-term development momentum.

Our acquisition strategy centers on building a youth-oriented brand ecosystem and reinforcing our position in the sportswear segment while extending into targeted verticals and international markets. We will focus on well-established niche brands in mature markets with distinctive identities and sustainable competitive advantages to further diversify our brand portfolio and product offering. On one hand, we plan to deepen our presence in both the mass-market and premium sportswear segments. Through strategic investments, we aim to expand into specialized categories such as running, equestrian and ball sports, developing professional product lines that respond to increasingly sophisticated consumer preferences. Our selection criteria focus primarily on companies with strong brand recognition in their respective professional sports categories, a clear product heritage supported by technical performance attributes, scalable commercial potential in the PRC and broader Asian markets, and the ability to be integrated into our existing supply chain and omni-channel sales network. On the other hand, in international expansion, we will evaluate acquisition opportunities involving reputable brands with heritage and global influence. By integrating these brands into our ecosystem and blending their technical expertise with everyday lifestyle wear, we seek to accelerate localization in China and market expansion. Leveraging our operational and retail capabilities, we aim to unlock the full commercial potential of these brands and drive sustainable value creation across our portfolio.

Attracting, Developing and Retaining Talent to Empower Long-Term Growth

As we adapt to an increasingly globalized and digitalized operating environment, we will continue to refine our training and development programs and optimize our talent composition. Our initiatives include structured onboarding for new employees, professional skills development and leadership programs for key talent. By integrating internal and external training resources, we aim to empower employees, strengthen organizational capability and cultivate a sustainable talent pipeline that underpins our Group's long-term competitiveness.

We also encourage employees to pursue continuing education and academic advancement to build a more skilled and future-ready workforce. We plan to adopt innovative training models and deliver a wide range of vocational and technical programs through professional exchanges, technical mentorship and hands-on learning opportunities. These initiatives are designed to unlock employee potential, enhance professional expertise and foster shared growth between employees and our Company.

OUR BUSINESS

Our brand operation system covers brand management, supply chain integration and an extensive sales network. Through this system, we have built an efficient and scalable sales system that incorporates product design, sourcing and production, intelligent digital management, logistics and sales into a standardized framework, ensuring a high degree of consistency in product quality, brand experience and operational efficiency.

Leveraging this brand operation system, we operate proprietary brands, continue to strengthen corporate apparel customization business for almost all of our proprietary brands, engage in international sports brand cooperations, and actively launch urban outlets. Our value chain integration enables each business segment to share design resources, supply chain resources, intelligent digital management capabilities and sales network and execution, achieving business synergy and improved operational efficiency. At the same time, our value chain integration provides structural flexibility, supporting existing business segments while continuously incubating new brands and new business initiatives, thus contributing to our long-term growth strategy.

- **Proprietary Brands:** We operate HLA, a leading menswear brand in China with a growing presence in overseas markets. Building on the success of HLA, we have further extended our proprietary brand portfolio to include OVV, a light-luxury womenswear brand, and YeeHoO (英氏), a premium baby and kidswear brand. We also operate HEILAN HOME (海瀾優選), a lifestyle home brand offering a selective assortment of apparel, household and home products, with 21 stores in operation as of December 31, 2025.

  Corporate Apparel Customization: Leveraging our professional design capabilities, intelligent manufacturing systems and rigorous quality control standards, we offer corporate apparel customization business for almost all of our proprietary brands, providing tailor-made professional attire for corporate and institutional customers, combining functionality, brand identity and high-quality craftsmanship.

- **International Sports Brand Cooperations:** We have established strategic partnerships with globally renowned sports brands to capture new growth opportunities in the sportswear markets. Through Spoz, we operate Adidas FCC stores in China. We are also the trademark licensee for the Austrian brand HEAD in China. Leveraging our extensive sales network and operational experience, we leverage these strategic collaborations to quickly enter the fast-growing sports and lifestyle sectors, enhancing the depth and diversity of our brand portfolio.

- **Urban Outlets:** We continue to explore emerging retail formats that complement our core apparel business and strengthen our multi-brand strategy. In 2024, we initiated urban outlets in proximity to urban areas to provide consumers with one-stop shopping experience for branded products at competitive prices.

See "Financial Information — Description of Major Components of Our Results of Operations — Revenue — Revenue by Business Lines" for our revenue breakdown by business lines.

OUR OFFERINGS

Our Proprietary Brands

We have established a structured brand portfolio centered on HLA, complemented by brands such as OVV and YeeHoO (英氏), comprehensively covering menswear, womenswear and baby and kidswear. By refining product positioning, enhancing design capabilities and expanding both offline and online channels, we have formed an integrated multi-brand portfolio that enhances customer reach, improves operational efficiency and reinforces our position in China's apparel market.

The following table sets forth a brief overview of our major proprietary brands:

Brand	Year of Launch	Major Product Type	Key Brand Positioning	Number of Stores[(1)]
HLA 海澜之家 黑鲸 HLA JEANS 1海一家	2002	Menswear	A trusted national menswear brand committed to providing stylish, high-quality apparel and a personalized wearing experience for men. Upholding the philosophy of "reliable quality and enduring companionship," HLA has established itself as a beloved household name in China's apparel market.	5,625
OVV	2017	Womenswear	A contemporary womenswear brand offering modern wardrobes defined by refined design.	149
英氏 YeeHoO	1995 (acquired in 2019)	Baby and kidswear	A premium baby and kidswear brand focusing on high-quality products and essentials for babies and kids.	683

Note:

(1) As of December 31, 2025, globally.

HLA

HLA is our core brand series focusing on menswear that embodies the philosophy of "creating apparel with vitality." Since the inception in 2002, HLA has been dedicated to offering modern Chinese consumers menswear that balances functionality, style and emotional resonance. With over two decades of history, HLA has become a household name synonymous with quality, accessibility and reliability, standing as a benchmark for China's mass-market menswear.

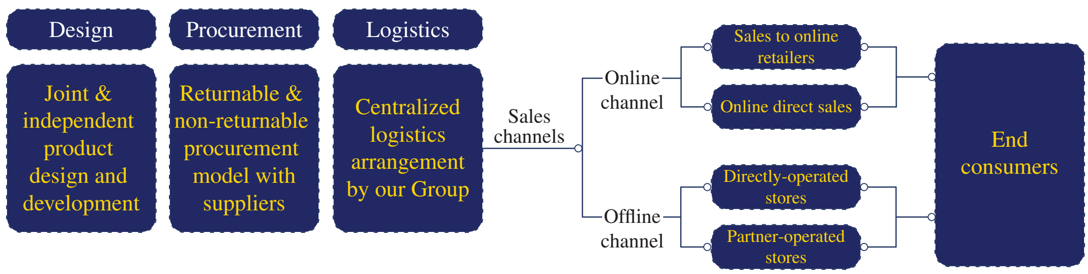
Guided by its philosophy, HLA offers a comprehensive range of apparel for both professional and casual occasions, including pants, T-shirts, down jackets, jackets, shirts, suits, shoes, knitwear and other apparel, as well as accessories such as belts and socks. Each collection is designed with an emphasis on practicality, style and value. At the retail level, HLA's stores are curated as lifestyle spaces that showcase complete wardrobe solutions for diverse occasions, allowing consumers to experience the brand's aesthetic and functionality in a cohesive environment. Extending this experience online, digital platforms such as the HLA mini-programs offer membership privileges and seamless omni-channel services including online ordering and in-store pickup. Through the integration of offline and digital touchpoints, HLA creates a consumer journey that is both convenient and emotionally engaging.

In addition, we are expanding the HLA brand series through sub-brands like HLA Jeans (黑鲸), targeting young, fashion-conscious consumers at competitive prices. By combining scale with agility, tradition with creativity and affordability with emotional value, HLA continues to shape the fashion trend in China's menswear landscape and reinforce its leadership in the market.

As of December 31, 2025, we had 5,625 stores under HLA globally, including 5,504 in China and 121 overseas, supplemented by an online presence on major e-commerce platforms. The images below showcase our typical HLA store layouts in China:

HLA's Integrated Business Model

With over two decades of deep experience in the menswear sector, HLA has established an integrated business model. By fostering a collaborative system with both store partners and suppliers, we are able to efficiently integrate resources across the apparel value chain. This approach underpins HLA's sustainable and resilient growth, enhances store-level operational efficiency and enables us to respond timely to evolving consumer preferences. The following chart illustrates our integrated brand operation workflow for HLA:



Supply Chain Collaboration. We work closely with our suppliers to establish a unique procurement model for HLA that directly empowers our product design and strengthens our market responsiveness. We work closely with suppliers in joint product development, leading product design by combining our creative ideas with their technical capabilities and design resources. This collaborative approach ensures our originality while accelerating the product development cycle. See "— Product Design and Development — Our Design and Development Capabilities." In addition, we strengthen supplier collaboration through a unique "shared benefits, shared risks" mechanism, which is operationalized by our returnable procurement arrangement. Under this arrangement, we are able to return unsold products to suppliers and settle payments with suppliers on a monthly basis after product sell-through, a practice that strategically balances inventory risk between both parties. See "— Supply Chain Management — Our Procurement."

Logistics and Inventory Management. Through our nationwide centralized inventory mechanism, we can flexibly transfer products between stores, ensuring optimal stock allocation and efficient replenishment to meet dynamic market demand.

Omni-channel Strategy. We adopt an omni-channel strategy that combines extensive offline coverage with a growing online presence to drive sales and reinforce brand influence. As of December 31, 2025, we operated 5,504 stores under HLA across 31 provincial-level administrative regions in China, covering nearly all prefecture-level cities. Combined with 121 stores overseas, we have established a global HLA sales network comprising 5,625 stores as of December 31, 2025. We have also established online presence across mainstream e-commerce platforms in China. This integrated approach provides consumers with convenient and diverse shopping options. Across all channels, we maintain unified brand philosophy and management standards to ensure a consistent and high-quality shopping experience for consumers. See "— Our Sales Network" for details about our directly-operated stores, store partnership model and online channel.

OVV

OVV is our light luxury womenswear brand, dedicated to creating a modern wardrobe for independent women. Launched in 2017, OVV aims to integrate design aesthetics with functionality, offering wardrobe solutions suitable for both business and lifestyle scenarios. The product portfolio of OVV includes female suits, dresses, coats, knitwear, trousers and accessories. Guided by the philosophy of "harmony between wearer and garment," OVV champions honest and valuable pragmatism, blending design, style, and versatility. From the inside out, OVV strives to create value for contemporary women by integrating aesthetics with functionality.

OVV's brand tone is intelligent, calm and empowering, resonating with women who value quality, purpose and self-expression. It positions itself not only as a fashion label, but as a lifestyle companion that understands the evolving roles and aspirations of contemporary women. By combining design integrity, functional versatility and emotional engagement, OVV has quickly established itself as a rising force in China's light luxury womenswear market. It continues to evolve as a brand that not only dresses women, but also empowers them — through fashion that is thoughtful, expressive and enduring.

As of December 31, 2025, we operated 149 OVV stores, supplemented by an online presence on major e-commerce platforms. The image below showcases our typical OVV store layout in China:

YeeHoO (英氏)

YeeHoO (英氏) is our premium brand focused on baby and kidswear, targeting families seeking safe, comfortable and high-quality products for their next generation. Our brand portfolio expanded in 2019 once we achieved controlling interest in the brand YeeHoO (英氏), which was originally established in 1995. With nearly three decades of brand heritage, YeeHoO (英氏) has built a strong reputation in China's premium baby and kidswear market, offering trusted solutions for babies and kids.

YeeHoO (英氏) is rooted in a deep commitment to nurturing each generation with care and integrity. YeeHoO (英氏) offers a comprehensive product portfolio that includes newborn clothing, baby sleepwear, outerwear, accessories, bedding and care items, covering the full spectrum of daily needs from birth through early childhood.

As of December 31, 2025, we had 683 YeeHoO (英氏) stores, supplemented by an online presence on major e-commerce platforms. The image below showcases our typical YeeHoO (英氏) store layout in China:

Corporate Apparel Customization Business

Leveraging the strengths of our proprietary brands, we also actively expand our corporate apparel customization business. All of our proprietary brands can be tailored to meet customer-specific requirements, enabling large-scale customization, production, and sales to serve corporate and institutional customers. As a pioneer and market leader in China's corporate apparel sector, we have been dedicated to corporate apparel customization since the 1990s, accumulating over two decades of expertise. By continuously focusing on workplace needs and personalized experiences, we leverage our multi-brand expertise and combine craftsmanship with intelligent manufacturing.

Our customers, including enterprises, government agencies and educational institutions, place large-scale orders for uniforms, workwear and school uniforms to meet their unified image requirements. We provide end-to-end solutions from initial design based on customers specifications to on-site measurement services by our dedicated staff, ensuring that each individual's height, weight and body shape are accurately captured for a truly customized fit. Customized apparel is primarily produced in our own production facilities, ensuring quality and consistency. To meet the rising demand for personalized apparel, we have established an online customization platform powered by our HLA Cloud Apparel Smart Factory. This intelligent production platform enables digitalized, on-demand production that enhances supply chain efficiency and fulfills personalized customer needs with precision and speed.

Our corporate apparel customization business enables us to build long-term partnerships with customers, enhance our brand reputation and showcase our capabilities in large-scale, high-quality apparel production. Through continuous innovation and a commitment to personalized service, we reinforce our position as an industry leader, expand our customer base and improve our overall resilience and growth potential in a dynamic market environment. The following picture shows some of the representative apparel in our corporate apparel customization business:

International Sports Brand Cooperations

To further diversify our brand portfolio and strengthen our presence in the sportswear segment, we have established strategic cooperations with leading international sports brands. These cooperations enable us to leverage our platform-based operational capabilities to capture growth opportunities in the sports and activewear market, broaden consumer base and create synergies with existing business lines, while enhancing the overall competitiveness and resilience of our brand portfolio.

Adidas FCC Stores

In 2023, through Spoz, we have formed a long-term strategic cooperation with Adidas, under which we are authorized by Adidas to operate Adidas FCC stores in China. The FCC format is a distinct channel of the Adidas brand that offers a curated selection of core Adidas products together with an exclusive FCC product line designed for this channel. FCC products are developed to align with local consumer preferences and purchasing power, with an emphasis on accessible price points and strong value.

Under Adidas FCC cooperation, we are responsible for selecting locations, opening stores and managing the daily operations of Adidas FCC stores. All products for the FCC channel are procured on a buy-out basis by us from Adidas, and we assume ownership of inventory and manage product assortment planning, pricing within brand guidelines and local marketing initiatives, subject to Adidas's approval.

As of December 31, 2025, we had 723 Adidas FCC stores in China. Our cooperation with Adidas strengthens our footprint in the sportswear category and supports our expansion into a segment characterized by sustained growth driven by rising consumer interest in health and lifestyle apparel. The image below showcases our Adidas FCC store layout in China:

The followings set forth major terms in our commercial arrangement with Adidas:

- *Duration and Expiry*: From April 1, 2023 to December 31, 2026, subject to early termination or renewal upon mutual agreement. The arrangement was renewed in 2025, with the new expiry date being December 31, 2028.
- *Exclusivity*: During the term of the agreement, Adidas will not grant similar authorizations to any other party.
- *Procurement*: We are required to procure Adidas FCC series products exclusively from Adidas or its authorized parties and are not permitted to source such products from third-party suppliers.
- *Inventory Ownership and Risk Transfer*: We purchase products from Adidas on a buy-out basis and assume ownership and inventory risk upon delivery.
- *Returns*: We generally do not have the right to return unsold products, except in limited circumstances such as product defects or recalls.
- *Purchase Commitments*: Purchase targets are agreed from time to time. Failure to meet such targets entitles Adidas to take actions, including but not limited to adjusting discount rates on our procurement prices.
- *Territorial Scope*: Chinese mainland (excluding Hong Kong, Macau and Taiwan).
- *Sales Channels*: Adidas FCC products are distributed exclusively through the Group's self-operated online and offline stores.

HEAD Stores

We have entered into a long-term trademark license arrangement with HEAD, a leading international sports brand originating in Austria, for the design, marketing and sales of HEAD-branded apparel in Chinese mainland, Hong Kong, Macau and Taiwan of China since 2021. Under the trademark license agreement, we hold a non-transferable, non-exclusive license to use HEAD trademarks and are responsible for product planning, product design, raw material procurement, product pricing and sales network operations for HEAD-branded apparel within the licensed areas through both offline and online channels. HEAD, with over 70 years of history tracing back to its establishment in the 1950s, is a renowned sports brand offering apparel and equipment with a specialty in skiing and tennis. Building on HEAD's sports heritage, we are committed to developing both sports lifestyle and performance apparel for consumers in China, with a particular focus on skiing and tennis. Our HEAD-branded products are designed to meet the needs of both professional athletes and sports enthusiasts across performance and everyday lifestyle settings.

As of December 31, 2025, we had 37 HEAD stores in China, supplemented by an online presence in major e-commerce platforms. Through our cooperation with HEAD, we aim to further strengthen our position in the sportswear segment and provide consumers with a wider range of functional, high-quality and accessible choices for both performance and everyday scenarios. The image below showcases our typical HEAD store layout in China:

Under our arrangement with HEAD, we are responsible for the procurement and production of HEAD-branded apparel. We arrange for the manufacturing of finished products by engaging third-party apparel OEM manufacturers. Such OEM manufacturers produce apparel in accordance with our specifications and HEAD's brand and quality requirements. Accordingly, we are responsible for managing product production and supply chain activities, and we or the OEM manufacturers assume inventory risk for HEAD-branded products. The followings set forth major terms in our trademark license agreement with HEAD.

- *Duration and Expiry*: From April 1, 2021 to January 31, 2031.
- *Product Planning and Design*: Prior to manufacturing any new or modified licensed products, the Group must submit detailed plans (including drawings, designs, labeling, packaging, advertising and promotional materials) for HEAD's review and written approval. HEAD shall respond within 10 days; failure to respond constitutes deemed approval.
- *Manufacturing and Procurement*: We are responsible for manufacturing licensed products through third-party apparel OEM manufacturers, subject to compliance with HEAD's quality, branding and product standards.
- *Sales Channels*:
  - o Offline: HEAD flagship monobrand stores, HEAD franchise monobrand stores, partnership stores, HLA direct retail and HLA Group stores, tennis clubs and academies and ski resorts.
  - o Online: Traditional e-commerce platforms, social media e-commerce platforms and online live-streaming e-commerce platforms.

Urban Outlets

Since 2024, we have actively developed our urban outlet retail channel, which distinguishes itself from traditional suburban outlets by being located closer to urban area. Its central location enhances accessibility for consumers and supports higher visit frequency. By leveraging a diverse portfolio of brands and product categories, our urban outlets address the one-stop shopping needs of urban consumers and are emerging as an important retail format within cities.

Through a strategic partnership with JD.com, we opened our first urban outlet in Wuxi, Jiangsu in September 2024, followed by rapid expansion into other cities. As of December 31, 2025, we operated 60 offline urban outlets across several provinces in China including Jiangsu, Shandong, Anhui, Hebei, Henan, Shanxi, Shaanxi, Zhejiang, Sichuan, Hunan, Hubei, Jilin and Guangdong. All urban outlet stores are directly operated by us. Our urban outlets adopt a multi-brand, multi-category merchandising strategy, offering product assortments covering sports, outdoor, menswear, womenswear, footwear and accessories. We have introduced leading international brands (such as Adidas, Nike, The North Face, Coach and Tory Burch) and domestic brands (such as Li-Ning, Toread and Miiow) in our urban outlets, greatly enriching our product offering and enhancing the consumer experience. We have over 100 international and domestic brands sold in our urban outlets. We also operate online urban outlets on JD.com. By doing so, we have integrated both online and offline channels in our urban outlet business. Under our strategic partnership with JD.com for urban outlets, we are responsible for site selection, daily operations, brand engagement, category expansion and membership management. JD.com provides integrated IT system support, logistics services, financial settlement services, traffic resources, marketing solutions and supply chain support. Customers' payments at our urban outlet stores can be settled via the JD.com mobile application. Online and offline membership systems are integrated with JD.com's customer relationship management system, enabling seamless membership recognition. By combining our retail expertise with JD.com's digital capabilities, consumer traffic and market influence, we enhance the visibility of our urban outlets network and deepen consumer engagement.

Our development of urban outlets business reflects our strategic focus on expanding into new retail formats to better serve evolving consumer needs. Leveraging leading brands and value-for-money offerings, urban outlets enable us to provide consumers with a broader range of quality products at attractive prices. As our store network continues to expand and omni-channel operations deepen, urban outlets are expected to further strengthen our competitiveness in branding, channel development and supply chain management. The image below showcases our typical urban outlet layout in China:

For products sold through our urban outlets, we primarily sourced products from third-party brand owners under consignment arrangements in 2024 when this business line was still at an early stage. As our business developed, we have progressively transitioned towards distributorship arrangements. As of the Latest Practicable Date, the majority of our products sold through urban outlet were sourced under distributorship arrangements. The followings set forth major terms in our commercial arrangement with JD.com.

- *Authorization Term*: Three years from the execution of the first authorization agreement.
- *Authorization Fee*: Calculated as an agreed percentage of each authorized store's revenue.
- *Confidentiality and Termination*: Subject to standard confidentiality and termination provisions.

OUR SALES NETWORK

We adopt an omni-channel strategy that combines extensive offline coverage with growing online presence to strengthen sales performance and brand influence. Our offline channels, formed by a combination of directly-operated, partner-operated and distributor-operated stores, serve as the cornerstone of our retail strategy and brand development. Complementing this extensive offline network, we have also established online presence across major e-commerce platforms through both direct sales to end consumers and sales to retailers. Together, our offline and online networks form a comprehensive sales synergy that reinforces brand presence, enhances consumer engagement and supports sustainable growth.

To support the orderly expansion of our sales network and enhance store-level efficiency, we have implemented a disciplined store expansion strategy with standardized site selection and format planning. In particular, we apply a systematic assessment of market potential, consumer demographics and commercial district characteristics when determining locations and store formats for new openings. Each of our directly-operated offline and online stores only, as well as stores operated by our store partners, distributors and online retailers, offers only brand of apparel owned or managed by us. YeeHoO (英氏) stores, whether operated by us, our store partners or our distributors, also sell a limited selection of third-party products, primarily baby cribs and strollers, which are complementary to the YeeHoO baby and kidswear product portfolio. This arrangement existed prior to our acquisition of a controlling interest in YeeHoO and has continued in the ordinary course. Except for the YeeHoO stores, none of our other stores, whether operated directly by us or by our store partners or distributors, sell products of brands other than those owned or managed by our Group. See "Financial Information — Description of Major Components of Our Results of Operations — Revenue — Revenue by Sales Channel" for breakdown of our revenue by sales channel during the Track Record Period.

During the Track Record Period, our products were primarily sold in Chinese mainland. In 2023, 2024 and 2025, our revenue generated from Chinese mainland amounted to RMB20,482.8 million, RMB19,807.0 million and RMB20,608.2 million, respectively, accounting for 98.7%, 98.2% and 97.8%, of our total revenue for the respective years. See "Financial Information — Description of Major Components of Our Results of Operations — Revenue — Revenue by Geographical Regulation" for the geographic breakdown of our revenue. The following table sets forth the geographical breakdown of our revenue generated in Chinese Mainland in offline channels for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
East China	5,795,540	39.4	5,113,762	39.3	5,053,993	38.7
Central and Southern China	3,248,298	22.1	2,897,483	22.3	2,987,319	22.8
Southwest China	1,642,337	11.2	1,422,994	10.9	1,388,191	10.6
North China	1,967,559	13.4	1,814,286	13.9	1,894,143	14.5
Northwest China	1,153,492	7.9	971,779	7.5	976,181	7.5
Northeast China	884,962	6.0	791,205	6.1	776,178	5.9
Total	**14,692,188**	**100.0**	**13,011,509**	**100.0**	**13,076,005**	**100.0**

Our Offline Channel

We have established an extensive offline sales network consisting of (i) directly-operated stores, (ii) partner-operated stores and (iii) distributor-operated stores, which serves as a cornerstone of our operation strategy and brand development. This network allows us to strengthen brand recognition and deliver a consistent shopping experience to consumers. In expanding our offline sales network, we adopt a disciplined and selective approach when determining the location and format of new stores. In particular, we consider factors such as the population size and consumption potential of the target city, the grade and positioning of the commercial district, expected foot traffic, store visibility and accessibility, as well as the suitability of the premises in terms of size, layout and alignment with our brand image. As of December 31, 2025, we had a total of 7,330 stores. The following table sets forth a breakdown of our stores by brand as of December 31, 2025.

Branded Stores	Directly-operated Stores	Partner-operated stores	Distributor-operated stores	Total
HLA series	1,859	3,761	5	5,625
OVV	149	–	–	149
YeeHoO (英氏)	444	17	222	683
Adidas FCC	381	342	–	723
HEAD	36	1	–	37
Urban outlets	60	–	–	60
Other brands[1]	52	1	–	53
Total	**2,981**	**4,122**	**227**	**7,330**

Note:

(1) Primarily consists of HEILAN HOME.

We are responsible for the operation of our directly-operated stores and provide daily operational support for partner-operated stores, while our distributors independently operate their own stores with reference to our brand policies. The operation of our directly-operated stores and partner-operated stores is supported by a standardized management framework to ensure consistency, efficiency and scalability across the network.

In store location selection, we adopt rigorous processes to ensure that each store aligns with our strategic objectives. Factors considered include store positioning within commercial areas, overall foot traffic, the nature of nearby business zones and residential communities, local consumption patterns and per capita income. We also evaluate the presence of competing brands to optimize market positioning and penetration. Priority is given to high-traffic commercial districts, shopping malls and transportation hubs to maximize brand exposure and consumer accessibility.

Regarding store setup, design and layout, we have standardized store set up and design guidelines to ensure brand consistency. Store openings are subject to our approval following qualification and location assessment. Our stores feature a modern and minimalist design that reflects our brand identity. Layouts are organized by product category — such as formal wear, casual wear and accessories — with open display formats to enhance browsing convenience. Lighting and visual merchandising are carefully curated to create an inviting atmosphere and highlight product quality.

In terms of store operational management, we implement unified operational standards across all stores to ensure consistent service quality and operational efficiency, encompassing daily operations, visual merchandising, customer engagement and compliance protocols. We also provide comprehensive training programs for store managers and sales personnel covering customer service, product knowledge and digital tools. Continuous learning and performance evaluations are conducted to reinforce service excellence and enhance staff capability.

Notably, we leverage centralized inventory mechanisms and digitalization technologies to optimize stock allocation and improve turnover. See "— Digital Management."

The following tables set forth the key operating data of our directly-operated and partner-operated stores in China for our proprietary brands, international sports brand cooperations and urban outlets for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
Total GMV (*RMB in millions*)	24,255.7	20,908.4	20,795.8
Annualized average GMV per store[(1)] (*RMB in millions*)	3.2	3.0	2.9
Number of transactions (*in millions*)	45.4	39.5	39.0
Average spending per transaction (*RMB*)	534.7	529.1	533.2
Sales volume (*in millions*)	92.8	80.0	79.7
Average selling price (*RMB*)	261.5	261.2	261.0

The following tables set forth the key operating data of our overseas directly-operated stores for our proprietary brands for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
Total GMV (*RMB in millions*)	280.1	369.1	470.1
Annualized average GMV per store[(1)] (*RMB in millions*)	5.0	4.5	3.8
Number of transactions (*in millions*)	0.7	0.9	1.2
Average spending per transaction (*RMB*)	397.3	413.2	401.6
Sales volume (*in millions*)	1.6	2.0	2.7
Average selling price (*RMB*)	179.2	186.2	172.1

Note:

(1) Annualized average revenue per store is annualized GMV calculated by dividing (a) total GMV by (b) the average of number of stores at the beginning and the end of the relevant year. The data of total GMV, number of transactions, sales volume, average spending per transaction and average selling price include data from offline channels only.

The reduction in average annualized GMV per store in our overseas directly-operated stores since 2023 was primarily attributable to the significant increase in the number of newly opened stores overseas. The number of our overseas directly-operated stores increased from 62 as of the end of 2023 to 101 as of the end of 2024, and further to 142 as of December 31, 2025. As a substantial portion of these stores were newly opened and remained in the ramp- up phase, their sales productivity was relatively lower compared to mature stores, resulting in a temporary decline in average annualized GMV per store. We expect the sales performance of these new stores to improve as they mature and their operations stabilize.

The following table sets forth the details of the number of same stores and same store sales revenue among our directly-operated stores during the years indicated:

	Year ended December 31,			
	2023	**2024**	**2024**	**2025**
Number of Same Stores[(1)]	1,413		1,577	
Same Store Sales Revenue (RMB in millions)	4,101.4	3,742.3	4,283.4	4,216.9

	Year ended December 31,			
	2023	2024	2024	2025
Same Store Sales Revenue Growth (%)	(8.8)		(1.6)	

Note:

(1) Referring to self-operated stores that were open for more than 300 days in both of the two years under comparison.

We experienced a continuous decrease in same-store revenue growth during the Track Record Period, which was primarily because we continued to expand our retail network by opening new stores, which resulted in a diversion of customer traffic from existing stores and a temporary impact on same-store sales performance.

In 2023, 2024 and 2025, we recorded 340, 553 and 493 loss-making stores among our directly-operated stores and partner-operated stores for HLA brand, respectively, and the aggregate losses attributable to the loss-making stores were RMB101.1 million, RMB120.5 million and RMB105.8 million during the same respective years. These loss-making stores were primarily newly opened stores that were still in their ramp-up phase, while others were mainly located in prime shopping malls and core commercial districts in tier-one and tier-two cities for strategic purpose, where operating and rental costs are significantly higher compared to other locations. The following table sets forth the key metrics by business lines and major brands for the offline channels for the years indicated:

	Year ended December 31, 2023						
	GMV	Average GMV per Store	Number of Transactions	Average spending per transaction	Price Range	Sales volume	Average selling price
	RMB in millions	*RMB in millions*	*In millions*	*RMB*	*RMB*	*In millions*	*RMB*
Proprietary Brands							
HLA	22,816.8	3.8	39.3	580.4	50.0-999.0	76.3	298.8
OVV	392.8	2.0	0.2	1,969.0	200.4-4,999.0	0.5	765.2
YeeHoO (英氏)	462.3	1.3	0.7	667.0	20.0-1999.1	2.7	170.9
Non-proprietary Brands							
International Sports Brand Cooperations	25.8	1.1	0.02	1,432.5	29-12,200	0.06	471.35
Urban outlets	–	–	–	–	–	–	–

	Year ended December 31, 2024						
	GMV	Average GMV per Store	Number of Transactions	Average spending per transaction	Price Range	Sales volume	Average selling price
	RMB in millions	*RMB in millions*	*In millions*	*RMB*	*RMB*	*In millions*	*RMB*
Proprietary Brands							
HLA	19,818.6	3.4	35.2	563.5	50.0-999.0	67.6	293.0
OVV	356.0	2.0	0.2	1,958.3	201.0-4,999.0	0.5	732.6
YeeHoO (英氏)	535.5	1.4	0.9	612.2	20.0-1,999.4	3.1	175.2
Non-proprietary Brands							
International Sports Brand Cooperations	313.6	1.3	0.7	458.0	100-4,999	1.3	248.7
Urban outlets	16.2	10.8	0.02	668.5	25.0-1,999.0	0.05	306.6

	Year ended December 31, 2025						
	GMV	Average GMV per Store	Number of Transactions	Average spending per transaction	Price Range	Sales volume	Average selling price
	RMB in millions	*RMB in millions*	*In millions*	*RMB*	*RMB*	*In millions*	*RMB*
Proprietary Brands							
HLA	19,130.0	3.3	35.4	540.0	50.0-999.0	68.2	280.4
OVV	319.2	2.0	0.16	2,006.0	201.0-4,999.0	0.4	744.3
YeeHoO (英氏)	591.3	1.3	0.95	622.5	20.0-1,999.0	3.7	160.3
Non-proprietary Brands							
International Sports Brand Cooperations	667.1	1.1	0.9	708.8	22.0-4,971.0	2.9	227.6
Urban outlets	416.2	13.2	1.0	406.0	20.0-1,999.0	2.3	181.0

In 2023, 2024 and 2025, apparel sold under our corporate apparel customization business amounted to 12.7 million units, 13.6 million units and 17.6 million units, respectively, with the average selling prices amounting to RMB203.7, RMB184.8 and RMB172.6, respectively.

The fluctuations in the GMV, average spending per transaction, sales volume and ASP for our brands was primarily attributable to market conditions such as competition within the apparel industry and customer preference, alongside our business strategies to solidify our competitive position.

For HLA, the decrease in GMV and the fluctuations in sales volume during the Track Record Period was primarily attributable to our continuous efforts to optimize our store network. The decrease in average spending and average selling prices was primarily attributable to changes in product mix with a higher contribution from value-for-money items.

For OVV, the sales volume remained relatively stable at 0.5 million, 0.5 million and 0.4 million, respectively, during the Track Record Period. The fluctuations in average selling prices and average spending per transaction were primarily driven by changes in customer preferences, reflecting normal market conditions.

For YeeHoO (英氏), the increase in GMV and sales volume during the Track Record Period was primarily due to stronger consumer recognition supported by YeeHoO's established positioning in the premium baby and kidswear market. The fluctuations in average selling prices and average spending per transaction were primarily driven by changes in customer preferences, reflecting normal market conditions.

For international sports brand cooperations, the increase in GMV and sales volume during the Track Record Period was primarily due to the growth of store network and growing customer acceptance, reflecting the business expansion. The decrease in average selling prices was primarily attributable to the rapid scale-up of the business and the diversification of product offerings.

For urban outlets, the significant increase in GMV and sales volume during the Track Record Period was primarily attributable to the expansion of store network. The decrease in the average spending per transaction and average selling price was attributable to the expansion in product mix as a result of the rapid scale-up of the business.

The following table sets forth the key metrics for directly-operated stores and partner-operated stores for the years indicated:

	Year ended December 31, 2023						
	GMV	Average GMV per Store	Number of Transactions	Average spending per transaction	Price Range	Sales volume	Average selling price
	RMB in millions	*RMB in millions*	*In millions*	*RMB*	*RMB*	*In millions*	*RMB*
Directly-operated stores	5,879.1	3.0	10.1	580.8	50.0-999.0	21.2	276.9
Partner-operated stores	17,818.6	3.9	30.1	591.9	50.1-999.0	58.4	305.2

	Year ended December 31, 2024						
	GMV	Average GMV per Store	Number of Transactions	Average spending per transaction	Price Range	Sales volume	Average selling price
	RMB in millions	*RMB in millions*	*In millions*	*RMB*	*RMB*	*In millions*	*RMB*
Directly-operated stores	6,376.4	2.8	11.6	549.4	50.0-999.8	23.5	271.4
Partner-operated stores	14,663.5	3.3	25.3	578.9	50.1-999.5	49.0	299.4

	Year ended December 31, 2025						
	GMV	Average GMV per Store	Number of Transactions	Average spending per transaction	Price Range	Sales volume	Average selling price
	RMB in millions	*RMB in millions*	*In millions*	*RMB*	*RMB*	*In millions*	*RMB*
Directly-operated stores	7,526.8	2.8	14.2	528.3	50.0-999.8	30.4	248.0
Partner-operated stores	13,597.0	3.2	24.3	560.6	50.1-999.8	47.2	287.9

Our Directly-Operated Stores

We operate a portion of our stores under direct operation model, where we undertake all operational management and assume all expenses related to store opening and ongoing operations. Directly-operated stores are managed by us, enabling a high degree of control over store operations, product display and customer service, as well as the rapid implementation of operational strategies and the maintenance of a consistent brand image. By strategically situating our stores in prime commercial districts and high-traffic areas, we enhance brand visibility, swiftly implement marketing strategies and employ digitalization tools, and maintain consistent store and brand images and service standards to ensure consistently high-quality consumer experience across our stores. The following table sets forth the movement in the number of our directly-operated stores for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Number of stores at the beginning of the year	2,135	2,258	2,622
Number of stores newly launched	546	759	784
Number of stores closed	423	395	425
Number of stores at the end of the year	**2,258**	**2,622**	**2,981**

During the Track Record Period, the number of our directly-operated stores increased steadily, numbering 2,258, 2,622 and 2,981, respectively, as of December 31, 2023 and 2024 and 2025, primarily driven by our strategic response to evolving consumer preferences, with a particular focus on expanding our presence in shopping malls. By increasing the proportion of stores located in high-traffic commercial complexes, we aim to capture rising demand for experiential shopping, enhance brand visibility, and strengthen engagement with urban consumers.

Meanwhile, we closed 423, 395 and 425 stores in 2023, 2024 and 2025, respectively. These closures were primarily due to (i) our ongoing efforts to optimize and adjust our directly-operated store network based on individual store performance to enhance overall efficiency and profitability, which resulted in the closure of 202, 281 and 329 stores during the respective years; (ii) store relocations or upgrades within shopping malls in response to changes in mall layouts or to better align with local market conditions and consumer preferences, which accounted for the closure of 74, 111 and 84 stores during the respective years; and (iii) changes in store formats that resulted in the closure of 147, three and 12 stores during the respective years, including stores previously operated under a commission-based model with shopping malls that were closed and subsequently converted into stores under lease arrangements with the malls, and the disposal of Heylads in 2023.

The typical agreements for our directly-operated stores with the relevant landlord where our stores are located include the following terms:

- *Term and location*: Fixed term (e.g., 12 months), with clearly defined rental areas and locations.
- *Rent & Commission*: Depending on the arrangement, we have various payment arrangements with the relevant landlord, including (i) paying a fixed monthly rent based on the allocated area, with scheduled payment periods and penalties for late payment, (ii) paying a commission to shopping malls calculated as a pre-agreed percentage of monthly sales generated in the designated selling area, or (iii) in some cases, payment of whichever is higher between a fixed rent and a commission.
- *Operating Expenses*: We are responsible for renovation costs, staff salaries, utilities, rent, taxes, property management fees, and other operating expenses.
- *Promotion Fees*: We generally pay a fixed monthly promotional fee for mall-wide marketing activities to the landlord.
- *Utilities & Other Fees*: We pay for water, electricity, gas and other utilities as per actual usage and the property management agreement.
- *Termination*: The agreement outlines conditions for termination, including agreement expiry, breach of contract, failure to pay fees, or violation of mall policies. There is no pre-agreed renewal right upon the expiry of the lease term. Any lease renewal is subject to mutual agreement following negotiations with the shopping mall operator, which are generally conducted shortly before the lease expires.

The following table sets forth the average GMV per store, categorized by years of opening for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Directly-operated stores			
Number of stores opened	546	759	784
Average GMV per newly-opened store (RMB'000)	810.5	549.6	739.1
Average GMV per store in operation (RMB'000)	2,603.7	2,431.9	2,525.5

The following table set forth the maturity profile of the lease agreements during the Track Record Period:

	As of December 31,					
	2023		2024		2025	
	Number of lease agreements expiring	*%*	*Number of lease agreements expiring*	*%*	*Number of lease agreements expiring*	*%*
Within one year	764	45.8	921	48.2	888	42.2
One to two years	548	32.9	502	26.3	678	32.2
Two to five years	355	21.3	487	25.5	536	25.5
Over five years	–	–	–	–	4	0.1
Total	**1,667**	**100.0**	**1,910**	**100.0**	**2,106**	**100.0**

Our Store Partnership Model

As part of our offline channel strategy, we have adopted a store partnership model. Under this model, we collaborate with store partners to efficiently expand our retail footprint while maintaining brand consistency and operational standards, operating in an asset-light manner. Partner-operated stores are managed by store partners with our assistance and in accordance with our operational standards, which facilitates efficient network expansion while preserving a consistent brand image and operating framework. Our store partners are generally individuals that meet our selection criteria. We select store partners based on a comprehensive assessment of their business scale, operational experience, financial strength, and historical performance, with a focus on their ability to maintain store operations in accordance with our brand and operational standards.

Under our store partnership model, we assist the store partners with store siting and they invest their own resources to open and operate stores at optimal locations, bearing the associated capital expenditures and operating costs. In return, we provide comprehensive operational guidance and support, including store management, staff training, visual merchandising, promotional campaigns and inventory management. The inventories are delivered to the store partner under a consignment arrangement for management and sales, and they do not bear risk of inventory obsolescence. Our store partnership model enables agile and capital-efficient store expansion, reduces operational burden and risk for partners, and allows them to benefit from our retail experiences, nationwide marketing resources and operational systems, while sharing in the growth opportunities of our brand. For salient terms with our store partners, see "— Comparison of partner- and distributor-operated stores" below.

The following table sets forth the average GMV per store, categorized by years of opening for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Partner-operated stores			
Number of stores opened	307	300	155
Average GMV per newly-opened store (RMB'000)	456.3	450.2	573.4
Average GMV per store in operation (RMB'000)	4,000.6	3,340.2	3,299.9

The following table sets forth the movement in the number of our partner-operated stores for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Number of stores at the beginning of the year	5,943	4,454	4,390
Number of stores newly added	307	300	155
Number of stores terminated	1,796[(1)]	364	423
Number of stores at the end of the year	**4,454**	**4,390**	**4,122**

Note:

(1) Among the 1,796 stores terminated in 2023, 1,215 stores had been excluded from our store network as a result of our disposal of Heylads due to its underperformance and continued losses in 2023. See Note 36 of Appendix I to this Document.

During the Track Record Period, we continuously optimized our store network to better align with evolving retail dynamics in China. As part of this process, we enhanced our directly-operated footprint in shopping malls and rationalized certain partner-operated stores to support our long-term market positioning. Consequently, 307, 300 and 155 new partner-operated stores were opened by our selected store partners, respectively, and 581, 364 and 423 partner-operated stores were closed in 2023, 2024, and 2025, respectively.

The following table sets forth the movement of store partners during the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
At the beginning of the year	3,621	2,611	2,509
New store partners	312	304	269
Terminated store partners	1,322[(1)]	406	385
At the end of the year	**2,611**	**2,509**	**2,393**

Note:

(1) Among the 1,322 store partners that we terminated relationship with in 2023, 870 store partners were excluded as a result of our disposal of Heylads in 2023. See Note 36 of Appendix I to this Document.

We adopt our own selection process to ensure that all store partners align with our operational standards and compliance requirements. The process begins with a comprehensive qualification review, which includes verification of business registration, assessment of financial strength and their operational capacity and the availability of resources. Upon approval, store partners are required to enter into a formal store partner agreement with us, setting out the rights and obligations of both parties. This structured approach enables us to maintain brand integrity, safeguard operational consistency, and build long-term, mutually beneficial partnerships.

During the Track Record Period, due to the changes of market trend, we terminated the relationship with 452, 406 and 385 store partners, respectively, which led to a reduction in the number of our store partners from 2,611 as of December 31, 2023 to 2,509 and 2,393 as of December 31, 2024 and December 31, 2025, respectively. During the Track Record Period, we observed an overall decreasing trend in the number of partner-operated stores and store partners. This trend was primarily attributable to our ongoing efforts to optimize store network and adapt to evolving market dynamics and consumer preferences in China. In recent years, we have adopted a more prudent approach to new store openings, with a focus on improving the quality and operational efficiency of our retail network rather than pursuing rapid expansion in store numbers. As a result, both the number of newly opened partner-operated stores and the number of new store partners have declined during the Track Record Period. At the same time, we have continued to enhance our directly-operated store footprint, particularly in high-quality shopping malls, and have rationalized underperforming partner-operated stores to support our long-term market positioning. Store terminations during the Track Record Period were mainly due to voluntary closures by store partners, store relocations, changes in store operation models (such as conversion from partner-operated to directly-operated stores), and, in 2023, the disposal of Heylads, which resulted in the removal of a significant number of partner-operated stores from our network in 2023.

As of December 31, 2025, to our best knowledge, 142 of our store partners were our former or current employees (the "**employee-store partners**"). During the early stage when we were exploring the store partnership model, the number of suitable store partner candidates who could understand the store partnership model was limited. We selected and trained store partners from then business partners with who we had established trust, including our former and then existing employees. Employee-store partners were able to effectively promote and develop our business model and acquire market opportunities. According to Frost & Sullivan, this model is not uncommon for the sales and marketing of apparel in China. In 2023, 2024 and 2025, the total revenue contributed by sales to these employee-store partners accounted for less than 2% of our total revenue for each year during the Track Record Period. The partnership agreements that we entered into with the employee-store partners contained comparable terms and conditions that we offer to other store partners and all transactions with them were conducted on an arm's length basis. Save as the relationships disclosed above, none of them had other relationships with us, our Directors, senior management and their respective associates and to our best knowledge, as of the Latest Practicable Date, all of our store partner were Independent Third Parties. For details of the contractual terms with store partners, see "— Comparison of Partner- and Distributor-Operated Stores" in this section.

Our Distributor-Operated Stores

Our offline channel also includes a small number of distributor-operated stores operated by third-party distributors, which is common in our industry. Under this model, we directly sell our products to third-party distributors, who are typically experienced local retail operators with established resources in regional commercial districts, and they in turn operate their own stores of our brands to resell these products to end consumers. Distributor-operated stores are primarily managed by distributors in accordance with our brand and operational requirements, allowing us to leverage their local resources and market expertise while maintaining brand consistency. Our distributor-operated stores share the same brand identity, store design and operational standards, ensuring a unified customer experience across our sales network. Pursuant to our distribution agreements, distributors independently invest in and operate stores under our brand, while we provide ongoing operational support, training and marketing resources to maintain a consistent store and brand image to the market. Our distributor-operated stores are only allowed to sell products of our Group.

We have adopted a set of distributor selection criteria and management policies to ensure our distributors are capable, efficient and well-resourced. Factors considered in distributor selection include their geographic coverage, scale of operations, qualifications, team experience existing consumer base and market reputation. Only those distributors who demonstrate adequate operational capabilities and a proven track record are considered for cooperation. We regularly review the performance of distributors through a monthly and annual assessment. We consider various factors in renewing agreements with distributors, including their qualifications, sales and marketing capabilities, sales network, financial resources, customer resources and synergies with our brands. The following table sets forth the movement in the number of our distributor-operated stores for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Number of stores at the beginning of the year	141	165	166
Number of stores newly added	42	44	87
Number of stores terminated	18	43	26
Number of stores at the end of the year	**165**	**166**	**227**

The following table sets forth the movement of distributors during the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
At the beginning of the year	111	135	130
New distributors	39	32	68
Terminated distributors	15	37	18
At the end of the year	**135**	**130**	**180**

During the Track Record Period, we observed a slowdown in the growth of both the number of distributor-operated stores and distributors. In 2023, 2024 and 2025, the number of distributor-operated stores terminated was 18, 43 and 26, respectively, and the number of terminated distributors was 15, 37 and 18, respectively. This trend was primarily attributable to our ongoing efforts to optimize our distributor network and enhance overall operational efficiency.

We strive to minimize the channel stuffing risks associated with our distributors through the following measures: (i) determining reasonable purchase amount requirement based on the specific customer level considering factors such as their scale of operations and financial resources, (ii) we generally do not allow returns of products sold to distributors unless there are product defects and other causes that are not attributable to the distributors, a return policy that is in line with the industry norms and (iii) from time to time communicate with distributors about the inventory status and conduct ad hoc store inspection to gain insights on their daily management sales conditions. We have also adopted a set of measures to avoid cannibalization among our distributors, including (i) designating specific distribution areas or channels to each distributor through distribution agreement, (ii) implementing a consistent pricing policy for our products, and providing our distributors with recommended retail prices for our products as their guidance and (iii) regularly assigning our supervisory team to conduct on-site visit of our distributor-operated stores and reporting irregularities if any. We believe these measures incentivize our distributors to maintain a reasonable level of inventory of our products and avoid channel stuffing.

Pursuant to our agreements with distributors, sub-distribution including transferring, licensing, or sharing distribution rights with any third party, such as appointing sub-distributors is not allowed unless otherwise agreed by us in writing beforehand. To the best of our knowledge, there were no sub-distributors engaged by our distributors during the Track Record Period. To our best knowledge, as of the Latest Practicable Date, all of our distributors were Independent Third Parties, nor was there any employment, financing or family relationship between our distributors and us during the Track Record Period. For details of the contractual terms with distributors, see "— Comparison of Partner- and Distributor-Operated Stores" in this section.

Comparison of Partner- and Distributor-Operated Stores

Our partner- and distributor-operated stores both leverage the resources and entrepreneurial drive of partners and distributors to accelerate our offline expansion and enhance market penetration, while maintaining brand consistency and operational standards. We maintain a consignment-based partnership with store partners and recognize revenue from our sales to store partners when products are sold to end consumers. We have a buyer-seller relationship with distributors and recognize revenue from our sales to distributors when they accept our products upon delivery. The key commercial terms of our agreements with our store partners and distributors are summarized below:

	Store Partners	Distributors
Duration	Typically five year, renewable upon mutual agreement and fulfillment of contract terms.	Typically one year, renewable upon mutual agreement and fulfillment of contract terms.
Store management	We provide comprehensive store operational guidance and support. Store partners are responsible for the store renovation costs, staff salaries, utilities, rental and property fees, taxes and other operating expenses.	Distributors are responsible for the operation of stores.
Inventory ownership	Upon sales to end consumers, ownership of the inventories transfers from us to the store partners, and then immediately to the end consumers. Store partners do not bear risk of inventory obsolescence.	Inventory is owned and managed by distributors and they bear the risk of inventory obsolescence.
Product return mechanism	Customer-returned products with quality issues can be returned or exchanged by us.	Products with quality issues can be returned or exchanged.
Pricing	We provide a recommended retail price for our store partners, and offer limited discretion to store partner for adjusting the prices based on local market conditions or promotional strategies within our approved range.	The pricing policies for our distributors highly resemble those for our store partners. We provide a recommended retail price for our distributors and offer limited discretion to distributors for adjusting the prices based on local market conditions or promotional strategies within our approved range.

	Store Partners	Distributors
Minimum purchase requirement	No minimum purchase targets set for the store partners.	We set annual minimum purchase requirements for distributors, under which distributors are required to achieve an agreed annual procurement amount. Based on their performance against such requirement, we classify distributors into four customer levels, each of which is subject to different discount rates when purchasing our products and enjoy different level of rebate rate (generally range from 1.0% to 3.0%) when meeting the requirements. If a distributor fails to meet the annual minimum purchase requirement, we may assign the distributor to a lower customer level, resulting in lower discount rate and rebate rate. We also reserve the right to terminate the agreement and shall not be held liable for any consequence.
Minimum sales target	No minimum sales targets set for the store partners.	No minimum sales targets set for the distributors.
Settlement terms	We settle payment with store partners monthly upon sell-through to end consumers.	We settle with distributors based on the contract terms and may grant credit terms (usually about 30 days) to distributors on a case-by-case basis.
Termination	We may terminate the contract for serious breaches.	We may terminate the contract for serious breaches.

We have established a comprehensive management system to ensure that store partners, distributors, and online retailers comply with our operational requirements. For store partners, we specify operational standards such as pricing, display, and brand image in our contracts, and provide regular training, inspections, and operational support. We conduct on-site inspections, typically on a monthly basis, to identify and rectify any non-compliance, thereby ensuring ongoing alignment with our brand and operational standards. For distributors and online retailers, we set clear requirements for, display, and brand image in our contracts, and strengthen compliance through regular performance assessments, data analysis, and on-site inspections. Distributors are required to report their inventory levels on a quarterly basis. For online retailers, we monitor their store operations on a real-time basis through ongoing data tracking and system monitoring to ensure compliance with our operational standards. We have also established a violation handling mechanism, under which non-compliant store partners, distributors, or online retailers may be required to implement corrective actions, be subject to downgraded assessment, or have their cooperation terminated in accordance with contractual provisions. We have implemented a systematic performance evaluation mechanism with clear assessment indicators and elimination procedures for store partners, distributors, and online retailers. For distributors and online retailers, we primarily evaluate net sales (i.e., actual sales revenue after deducting returns and discounts), timeliness of payment collection, and contractual compliance. We conduct annual performance reviews, and distributors or online retailers who fail to meet our sales targets or exhibit delayed payments or non-compliant operations are placed on a watch list for rectification, and in serious cases, the cooperation will be terminated. For store partners, we focus on actual store-level sales, sales growth rate, operational compliance, and customer service quality. We regularly collect and analyze store sales data, customer feedback, and on-site inspection results to comprehensively assess store performance. Underperforming store partners are required to implement corrective actions or may have their cooperation terminated. Through these multi-dimensional assessments, we continuously optimize our store partner, distributor, and online retailer structure and enhance overall operational efficiency and brand management.

Our Online Channel

We have leveraged the strong growth of e-commerce and established an online channel comprising direct sales to end consumers through our stores on major e-commerce platforms and sales to online retailers. Our online channel serves as an important complement to our offline network, allowing us to reach a broader customer base, especially younger and digitally native consumers. When operating our own online stores, we evaluate platform user profiles and consumer preferences in order to tailor product offerings and merchandising strategies. In selecting online retailers as distribution partners, we consider their ability to comply with our standards on product pricing, visual presentation, after-sales service and trademark management. In addition, the selection of brands and online store formats is determined with reference to alignment with target customer segments and local market demand. Through curated product assortment, consistent brand presentation and data-driven operations, our online channel enhances brand visibility, supports inventory efficiency and provides valuable consumer insights that inform product design and marketing strategies.

The following table sets forth the GMV through our online channel for our proprietary brands for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in millions)		
Domestic			
Online direct sales	3,320.8	4,451.8	4,578.3
Sales to online Retailers	1,505.9	2,718.4	3,402.0
Overseas			
Overseas online sales	–	–	2.2
Total GMV through online channel	**4,826.7**	**7,170.2**	**7,982.4**

The following table sets forth the GMV breakdown of sales in online channels by major brands for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
	(RMB in millions)		
Proprietary Brands			
HLA	4,181.0	4,959.6	4,691.8
OVV	201.3	236.8	252.1
YeeHoO (英氏)	442.4	507.3	690.6
Non-proprietary Brands			
International Sports Brand Cooperations	2.0	1,463.4	2,319.4
Urban outlets	–	3.1	28.6

Online Direct Sales

Our online direct sales channel comprises sales to end customers through our directly-operated stores across major e-commerce and social commerce platforms. These include mainstream e-commerce platforms such as Tmall and JD.com; short video platforms such as Douyin and Kuaishou; as well as social media platforms such as Xiaohongshu and WeChat. As of December 31, 2025, we had 161 directly-operated stores on e-commerce platforms and 301 directly-operated stores on short video and social media platforms. By leveraging multiple leading e-commerce platforms in China, we ensure our products are accessible to a broad and diverse consumer base, enhancing convenience for consumers and optimizing our digital presence. As of December 31, 2025, through online direct sales, we offer apparel under HLA, OVV and YeeHoO (英氏), as well as Adidas FCC and HEAD. Our directly-operated online stores allow us to maintain control over branding, pricing and customer experience. In 2023, 2024 and 2025, the total revenue generated from our online direct sales amounted to RMB2,470.7 million, RMB2,876.9 million and RMB2,746.1 million, respectively, accounting for 11.9%, 14.3% and 13.0% of our total revenue for the same respective years.

Prior to entering into collaboration with an online retailer, we primarily assess the size of the retailer's team, their experience in platform operations, and its historical sales data. We conduct annual performance reviews based on net sales, and underperforming online retailers may be subject to contract termination. The following sets forth a summary of the salient terms of our typical agreements entered into with major e-commerce and social commerce platforms:

- *Duration*: Typically one year, subject to renewal upon mutual agreement.
- *Store Access and Qualification*: We are required to complete platform registration, provide business licenses and relevant qualifications, and pay a security deposit as required by the platform.
- *Order Fulfillment and Settlement*: We are responsible for timely delivery and fulfillment of customer orders. Settlement of sales proceeds is typically handled by the platform or its designated payment service provider, with funds remitted to us in accordance with the platform's settlement cycle.
- *Product Pricing*: We are responsible for managing product pricing, rather than the online platforms. We also have the discretion to determine whether to participate in the promotional activities offered by e-commerce platforms.
- *Termination*: The agreement may be terminated by either party with prior notice, or immediately in the event of serious breach, non-compliance, or as otherwise specified in the platform rules.

Sales to Online Retailers

In line with market practice, during the Track Record Period, we also engaged online retailers, primarily consisting of e-commerce platforms such as Vipshop and JD.com's directly-operated stores and retailers who operate stores on e-commerce platforms, who in turn sell our products to end customers. As of December 31, 2025 we offer apparel under HLA, OVV, YeeHoO (英氏), Adidas FCC and HEAD to online retailers. In cooperating with online retailers, we maintain control over key branding-related matters, including product pricing, visual presentation, after-sales service standards and trademark management, while the online retailers are responsible for day-to-day operations, marketing activities and staff management. Our online retailer-operated stores are only allowed to sell products from our Group. As of December 31, 2023, 2024 and 2025, we engaged 73, 95, and 123 online retailers, respectively. In 2023, 2024 and 2025, the total revenue generated from our sales to online retailers amounted to RMB787.4 million, RMB1,542.2 million and RMB1,688.6 million, respectively, accounting for 3.8%, 7.6% and 8.0% of our total revenue of the same respective years.

In line with market practice, we primarily enter into standard sales and purchase arrangements with retailers who operate online stores on e-commerce platforms, or consignment arrangements with e-commerce platforms including Vipshop and JD.com's directly-operated stores. Under sales and purchase arrangement, we have a buyer-seller relationship with online retailers and recognize revenue when they accept our products upon delivery. Under consignment arrangement, we recognize revenue when end customers confirm acceptance of our products on the relevant e-commerce platform. The following sets forth a summary of the salient terms of our typical agreements entered into with online retailers:

- *Duration.* The term of our agreements is generally one year.
- *Product pricing.* We provide a recommended retail price as guidance. Online retailers are required to obtain our prior consent in order to participate in promotional activities offered by e-commerce platform.

- *Fee arrangement.* For e-commerce platforms, we typically pay service fees for store operation, marketing and logistics, typically calculated as a percentage of sales or based on services used. The service fees vary by platforms, typically ranging from approximately 5% to 26.5%.

- *Return policy.* E-commerce platforms can return defective, customer-returned, or unsold products to us. Retailers who operate online stores on e-commerce platforms are generally only allowed to return defective products.

- *Termination.* The agreements may be terminated by either party under specified conditions, including breach of contract or platform rules, with notice periods and post-termination obligations.

Our Corporate Apparel Customization Channel

Our corporate apparel customization channel provides large-scale apparel solutions for corporate and institutional customers, primarily covering professional wear, workwear and school uniforms. Our customer base spans industries such as financial services, telecommunications, transportation, energy, public services and education. We establish cooperation either via formal tendering processes or through direct engagement by our sales team, who work closely with corporate customers to understand their needs before signing orders or framework agreements. After order confirmation, our staff conduct on-site fittings, which are then passed to our internal design and production teams. Finished products are delivered to designated locations through our logistics system. This channel enhances our brand exposure in professional settings and reinforces our reputation for quality, reliability and scalable production capabilities. The salient terms of our corporate apparel customization business typically include:

- *Duration.* Typically ranges from one to three years and is case-specific.

- *Service Scope.* We provide products and related services (such as design, production, delivery and after-sales service) to the corporate customer according to the customer's requirements and technical standards.

- *Payment.* The corporate customer pays us after delivery and acceptance of the goods, usually within about three or six months. The payment covers all costs (materials, transport, tax-payable, etc.), and a valid invoice is required.

- *Delivery.* We deliver the products/services within the agreed timeframe to the location designated by the customer. Delivery includes inspection and/or trial fitting, and all risks before acceptance are borne by us.

- *Product refund.* We are responsible for repairing, replacing or refunding any defective or non-conforming products at our own cost.

- *Termination.* Contract can be terminated based on mutual consent or material breach.

Sales Channel Coordination

The following table sets forth a summary of key operational and financial features by store type:

	Directly-operated Store	Partner-operated Store	Distributor-operated Store	Online Direct Sales	Online Retailer
Sales Channel Description	Operated directly by us	Operated by store partners with the assistance of us	Operated by distributors	Operated directly by us on online channels	Operated by online retailers
Inventory Purchased from	Designated suppliers of us	Our Company	Our Company[(1)]	Designated suppliers of us	Our Company
Fee Model/Commercial Arrangement	We bear all operating costs	Store partners bear all operating costs for their stores	Distributors operate stores independently	We bear all operating costs	• Buy-out model • Consignment model
Fund Flow	Self-checkout: The end customer pays us directly for the products. Mall checkout: The end customer pays the shopping mall for the products; the mall deducts relevant fees and remits the net amount to us.	The store partner remits the full amount of retail sales proceeds to our designated account. We deduct amounts receivable from the partner-operated store and then pay the balance to the store partner.	The distributor pays us for the products on a buy-out basis and independently bears all costs and retains all revenues thereafter.	The end customer pays the e-commerce platform. After the customer confirms receipt of the products, the platform remits the payment to us.	• Buy-out relationship: The online retailer pays us for the products on a buy-out basis and independently bears all costs and retains all revenues thereafter. We settle with online retailer after they received the products. • Consignment relationship: We settle with online retailers upon our receipt of the corresponding account statements

Note:

(1) YeeHoO (英氏) also procure a limited selection of products from third-party suppliers, as their distributor.

We adopt a holistic approach to managing our operations across multiple channels and platforms, ensuring resource optimization and brand consistency. Revenue from different channels is generally recognized on a gross basis, whereas costs are generally determined using specific identification method. See "Financial Information — Material Accounting Policies and Estimates." To minimize cannibalization and maintain pricing integrity, we have established a comprehensive framework that includes the following measures:

- ***Online Channels***. We implement a unified pricing policy for identical products across all online platforms. At the same time, we have developed differentiated product offerings tailored to the user profiles and consumer preferences of each major online platform, in order to cater to diverse consumer needs. To ensure the stability and orderliness of our online pricing system, we have adopted a comprehensive price monitoring management system, which conducts real-time monitoring across all online platforms on a 24/7 basis and automatically intercepts abnormal orders and triggers alerts in the event of unusual price fluctuations. This approach safeguards brand value and prevents price erosion, ensuring a consistent consumer perception across all digital touchpoints. In addition, certain exclusive products are offered only through online channels, further enhancing differentiation and driving digital engagement.

- ***Offline Channels***. We strategically select store locations based on regional consumption trends and demographic profiles, enabling us to maximize market penetration and enhance customer accessibility. Our offline presence is designed to complement online channels, creating a balanced and synergistic retail ecosystem.

- ***Online and Offline Integration***. Certain products are offered both online and offline under a strict "same product, same price" principle. This ensures transparency, reinforces consumer trust, and delivers a seamless shopping experience across channels.

- ***Monitoring and tools***. We continuously monitor channel performance, enforce compliance with pricing guidelines, and leverage data analytics to identify potential risks of cannibalization. These measures allow us to maintain operational efficiency, protect brand equity, and strengthen our competitive position in an increasingly omni-channel retail environment.

During the Track Record Period, none of our store partners, distributors or online retailers operated both online and offline stores of our brands simultaneously.

PRODUCT DESIGN AND DEVELOPMENT

We prioritize design and development to drive product innovation, enhance technological features and expand our product portfolio. In 2023, 2024 and 2025, our research and development expenses were RMB200.3 million, RMB288.1 million and RMB212.0 million, respectively. By integrating digital tools, advanced manufacturing and collaborative innovation, we aim to enhance our ability to deliver high-quality, differentiated products and support the sustainable growth of our business.

Our Design and Development Capabilities

Our design and development team provides us with continuous capacity for innovation, rapid product iteration and comprehensive quality control. The scale of our team enables us to efficiently manage multiple projects in parallel, respond quickly to market trends and maintain a robust pipeline of new product launches. This depth of expertise also supports specialization across various functions, from material research to fashion design and technical development, ensuring that we consistently deliver high-quality, differentiated products to our customers.

We have established specialized subsidiaries and platforms focused on textile material innovation, which support the continuous advancement of our product portfolio. Our product development is primarily led by our central merchandising and development department, which coordinates the entire process from concept to launch. To ensure product quality and compliance, we operate a research center — HLA Cloud Apparel Laboratory — which is responsible for quality inspection, performance evaluation and compliance testing of our apparel products. The laboratory also supports research in textile materials and the integration of traditional Chinese apparel culture into modern fashion. Through rigorous testing and evaluation, we are able to uphold high standards of product safety, durability and quality. The laboratory has successfully delivered commercial applications such as the LightWarm thermal down jacket and paper-yarn T-shirt, marking the industrialization of advanced fabrics and supporting the industry's shift toward higher performance and environmental responsibility. The LightWarm thermal down jacket was jointly developed by an external research institution and us, and the relevant patent right is jointly owned by the external research institutions and us.

In addition, we place strong emphasis on collaborative innovation with our suppliers, making it a core component of our R&D system. We work closely with key suppliers in the product development process, including but not limited to the selection and application of new materials, targeted R&D and performance optimization. By regular communication, we are able to share sell-through insights with our suppliers, enabling them to flexibly adjust product designs, optimize production plans and work with us to explore the implementation of new technologies and processes based on market feedback. For example, during the development of new products, we actively participate in market research, sample refinement and functional testing to ensure that the final products precisely meet the needs of our target consumers. For best-selling items, we collaborate with suppliers to expand production capacity and enhance quality; for products with a weaker market response, we promptly adjust designs or optimize inventory structures to reduce supply chain risks. We also collaborate with leading universities and research institutions, including Tsinghua University, Donghua University and the China Textile Academy, to jointly establish R&D centers and innovation platforms. Under our collaboration arrangements, we typically co-own the intellectual property rights with the universities and research institutions that we collaborated with. These collaborations bring together academic research and industrial expertise, ensuring that we remain at the forefront of intelligent manufacturing and technological progress in the apparel industry.

Design Highlights and Fabric Innovation

We focus on consumer-driven design and continuous product innovation, regularly launching new collections that combine advanced functionality, cultural inspiration and sustainable practices. Our fabric innovations include products with moisture-wicking, antibacterial, wrinkle-resistant, cooling, thermal insulation and water-, oil- and stain-resistant properties, enhancing comfort and durability. We also develop culturally inspired collections, such as the "Heights Beyond Altitude (山不在高)," "Rise of the Dragon (龍騰九州)" and "Bluey (布魯伊)" series, which incorporate traditional Chinese elements into modern design. In addition, we apply sustainable practices across the product lifecycle, including the use of eco-friendly materials such as paper yarn and fruit-dyed fabrics to reduce environmental impact. Our product design process begins with market research and design development in collaboration with suppliers. It continues with sample refinement, testing and approval, and concludes with production and product launch.

BRANDING, MARKETING AND PRICING

Branding

Our branding initiatives support customer loyalty and brand recognition through an integrated approach combining advertising, online and offline marketing, our membership system and brand ambassadors. Each of our brands is positioned to serve distinct consumer segments with differentiated lifestyles and value propositions. HLA, which has focused on mass-market male consumers since its inception, has evolved into a nationally recognized brand supported by consistent product quality and a nationwide retail network, and has been named as "Leading Brand" under China Media Group's Brand Power Project for three consecutive years since 2023. Our brand portfolio also includes OVV, YeeHoO (英氏) targeting women, children and youth consumers, each with clear market positioning.

We engage influential celebrities across various fields as brand ambassadors to strengthen brand premium and deepen emotional connections with consumers. Over the years, HLA has partnered with ambassadors, including sports stars, whose image and values align with our brand evolution to enhance credibility and appeal across different consumer segments. These collaborations, delivered through integrated campaigns such as social media, live events and co-branded collections, reinforce our brand ethos and support sustained brand relevance.

We also implement selected cultural and sports initiatives to enhance brand influence and consumer engagement, reinforcing our positioning as a trusted national brand. Key initiatives include (i) strategic media collaborations, under which we have been selected for three consecutive years since 2023 for CCTV's "Brand Power Project," enhancing nationwide brand visibility and credibility; (ii) sponsorship of major sports events such as the Wuxi Marathon, aligning our brand with healthy lifestyles and community participation; and (iii) sponsorship and naming of the Gravity-1 Rocket ("**HLA Rocket**"), which successfully completed launches in January 2024 and October 2025, associating our brand with innovation and technological progress. Through these initiatives, we seek to strengthen brand recognition and cultural relevance among consumers.

Marketing

We implement a comprehensive marketing strategy that combines emotional storytelling, cultural collaboration and digital engagement to strengthen consumer connection and brand visibility.

Our annual Father's Day Campaign serves as a cornerstone of emotional marketing. Each year in June, we launch themed advertising series, such as "Gift for Father," supported by integrated online and offline promotional activities across our nationwide sales network and e-commerce platforms. These campaigns resonate with our identity as a menswear expert, creating authentic emotional touchpoints that reinforce family values and foster consumer loyalty.

We collaborate with cultural IPs, such as *Havoc in Heaven (大鬧天宮)*, to release limited-edition apparel that blends iconic IP elements with our brand design. These collections are showcased through pop-up stores, themed exhibitions and short-form video campaigns, creating a unified perception of trend, culture and lifestyle. This approach strengthens our brand's lifestyle attributes and deepens our engagement with younger consumer segments.

In addition, our in-house marketing staff actively participate in product promotion through livestreaming, short videos and social media posts on platforms such as Douyin and Xiaohongshu. This strategy combines product knowledge with popular formats, allowing us to build authentic connections with digitally native consumers while maintaining control over brand tone.

Pricing

We are committed to maintaining a consistent pricing strategy across all sales channels to reinforce brand integrity and ensure transparency for our customers. Our retail prices are determined through a centralized pricing mechanism that considers a wide range of factors, including raw material costs, design complexity, seasonal attributes, local market conditions, target customers, competitive benchmarking and international trade dynamics. These elements are carefully evaluated to ensure that pricing decisions reflect both market realities and our brand positioning. For sales to direct customers, including both online and offline channels, products are generally sold at tag prices determined by us. While we may participate on a limited basis in platform-led promotional activities from time to time, which may result in minor price variations, overall pricing remains largely consistent across online and offline direct-to-consumer channels. For sales conducted through store partners, products are generally sold to end consumers at prices set by us, while our store partners generally have the discretion to adjust the prices. Instead, we settle with store partners by sharing revenue based on pre-agreed commission arrangements, such that differences in commercial terms are reflected through commission settlements rather than through retail pricing. Similarly, for sales to distributors and online retailers, we offer product prices at a discount to tag prices to provide appropriate channel incentives. At the same time, we establish suggested retail prices and specify permissible price adjustment ranges in order to promote pricing discipline and maintain overall consistency in retail pricing across different sales channels. By this centralized pricing model, we aim to strengthen our brand image and deliver price guarantee to our customers.

CUSTOMER SERVICES AND PRODUCT RETURN AND EXCHANGE

Our customer services have been developed and optimized alongside our product portfolio growth to ensure customers worldwide receive timely and effective support.

Customer Services

We prioritize consumer rights and have established customer service and after-sales support systems to address inquiries and product issues. Customers may access assistance through service hotlines, online channels and physical stores, where trained staff provide support. We maintain a feedback and evaluation mechanism to monitor service quality and a structured process for handling product quality complaints to ensure issues are addressed in a timely and traceable manner. We also provide selected value-added services, such as free hemming and ironing, at most store locations. In addition to our core service offerings, we provide complimentary value-added services such as free hemming, ironing at most of our store locations, helping consumers enjoy a more personalized and convenient shopping experience.

Product Returns and Exchange

We are committed to providing consumers with a convenient and transparent return and exchange experience. Our policies vary depending on the sales channel and may be subject to applicable local laws and platform-specific rules. For our offline channel, customers may return or exchange products with quality issues within a specified period in accordance with the return and exchange policies applicable to each brand. For our online channel, we generally offer a return period of seven calendar days without reason to our customers. The applicable return and exchange periods may vary depending on the relevant local laws and regulations and the policies of the respective e-commerce platforms. During the Track Record Period, the average product return rate was below 10.5%, far below the apparel industry level, according to Frost & Sullivan. During the Track Record Period and as of the Latest Practicable Date, we did not encounter any material product recalls, returns or defects.

Membership Program

We have established a tiered membership program aimed at rewarding consumer loyalty and enhancing the overall shopping experience. End consumers can join by registering through our official WeChat account or our self-operated stores on major e-commerce platforms and receiving an electronic membership card. The program features multiple tiers, with members advancing based on their spending levels over time. As of December 31, 2025, our brand members numbered 60.5 million, a large and loyal customer base that forms a solid foundation for our continued growth. Members can enjoy a range of benefits, including point rewards through purchases, special birthday rewards, priority shipping, and exclusive member day offers.

SUPPLY CHAIN MANAGEMENT

Our Procurement

During the Track Record Period, we primarily procured garments and fabrics such as cotton and wool from third-party suppliers in China. We purchase products according to seasonal plans and regularly restock based on sales data collected from our offline and online stores. We have implemented standardized procedures for supplier onboarding and management and coordinate procurement, warehousing and logistics centrally through our regional distribution centers. Our procurement strategy is grounded in close collaboration and value sharing with suppliers, aiming to balance supply stability, inventory efficiency and capital discipline.

We have established two principal types of procurement arrangements depending on brand characteristics and product categories:

Under our returnable procurement arrangements, we include provisions that allow us to return unsold products to apparel OEM manufacturers and settle with them based on actual product sell-through on a monthly basis. Return period typically commences upon the occurrence of agreed conditions, primarily including, (i) unsold products remaining after a relevant sales season, (ii) products with low sell-through rates within an agreed sales period, (iii) products with quality defects or irreparable consumer returns, (iv) products with consumer complaint rates exceeding agreed thresholds, or (v) products that fail to meet applicable national standards based on our inspection or testing results. In practice, we typically complete the return process within approximately three to nine months after such commencement of any agreed condition. The returnable procurement arrangement is commercially attractive to apparel OEM manufacturers as it enables them to secure large and stable order volumes from us, benefiting from our extensive sales network and strong brand presence. Apparel OEM manufacturers have access to our sales and inventory data, facilitating timely replenishment and production planning. This arrangement aligns incentives across the value chain, enhances capital efficiency and mitigates inventory obsolescence. This model also fosters a long-term, mutually beneficial partnership, aligning the interests of both parties in driving product sell-through and supporting sustainable business growth. Prior to returning any unsold apparel to our apparel OEM manufacturers, we implement a de-labeling process whereby all brand identifiers, such as our logos, are removed from the apparel. Our apparel

OEM manufacturers may dispose of such off-label apparels through resale through their own sales channels. This arrangement enables our apparel OEM manufacturers to recover part of their costs associated with returned products. At the same time, the removal of all brand identifiers prevents such apparels from being distributed under our brand, thereby safeguarding our brand and mitigating potential disruption to our sales channels. According to Frost & Sullivan, returnable procurement arrangements are in line with the prevailing market practice in China's apparel industry. In particular, this practice is common among apparel brand operators with multi-brand portfolios or a wide range of SKUs, as it forms part of the risk-sharing model commonly adopted by those companies to address inventory management challenges arising from seasonality and product diversity.

Under our non-returnable procurement arrangements, products are purchased at agreed prices. Payments are generally made upon delivery or within agreed credit periods. To the best of our knowledge, there is no apparent cost difference between apparels manufactured under the returnable or non-returnable procurement arrangements.

Generally apart from HLA, none of our other brands utilize the returnable procurement arrangement. For HLA, the product categories procured under returnable and non-returnable arrangements do not overlap, and therefore there is no direct comparability between procurement prices under the two arrangements. We determine and adjust our procurement prices through our centralized pricing department, taking into account prevailing market prices of raw materials and accessories, supplier processing fees, and a reasonable gross profit margin, to ensure that our procurement prices reflect market conditions and cost fluctuations.

The salient terms of our framework agreement with suppliers are set forth below:

- ***Logistics and Inventory Management***. Suppliers are responsible for delivering products to our designated warehouses or designated store locations. Inventory is centrally managed through our logistics hubs and distributed to stores according to demand forecasts derived from sell-through data.

- ***Transfer of Risks and Ownership of Products***. Under both returnable and non-returnable procurement arrangements, we assume ownership and associated risks of products upon our warehouse or store intake.

- ***Payment Terms.*** Under the *returnable* procurement arrangements, we settle monthly with suppliers based on actual sell-through. The monthly settlement is made based on actual sales. Under *non-returnable* procurement arrangements, payments are made in stages, including an initial payment upon contract effectiveness, a subsequent payment following delivery and inspection, and the remaining balance within the agreed timeframe.

- ***Product Return***. Under the *returnable* procurement arrangements, we may return unsold products to suppliers within about three to nine months after the commencement of the return period, as stipulated in our agreements, with all brand tags removed so that there are no unauthorized sales of our branded products. The suppliers are responsible for the costs of returning the items. If the sell-through rate of a specific item is below a certain threshold within one sales season, or if the customer complaint rate meets a certain threshold, we may immediately return the products at the supplier's expense. Under the *non-returnable* procurement arrangement, we may return products with quality issues to suppliers.

- ***Quality Warranty***. Suppliers must ensure that products meet national or industry first-class standards and provide inspection reports. If products fail inspection or do not match the report, we may reject or return the products, with all costs and liabilities borne by the suppliers.

- ***Termination***. If the supplier is more than 30 days late in delivery, we may terminate the agreement and reject the goods, with the supplier liable for penalties. In other breach scenarios, the non-breaching party may terminate the agreement and claim compensation.

We maintain a structured supplier management framework to ensure product quality, cost efficiency and supply chain stability. Suppliers are selected through a qualification process assessing business credentials, production capacity, quality control systems and regulatory compliance. We prioritize suppliers with established quality management systems, competitive pricing capabilities and robust R&D capabilities, particularly those able to respond quickly to market trends and adopt new technologies or sustainable practices on equal conditions. Supplier performance is regularly evaluated based on product quality, delivery timeliness, sales performance, customer complaint rate and contract fulfillment rate. We maintain long-term and stable relationships with key suppliers to ensure continuity of supply and consistent product quality. We do not rely on any single supplier and maintain alternative qualified suppliers for key product categories and materials to mitigate potential supply disruptions. During the Track Record Period, we did not encounter any material quality problems with products from suppliers, nor did we experience any material product defect, returns, complaints or supply shortages.

Inventory Management

Our inventories primarily include (i) finished goods, including both returnable and non-returnable goods and (ii) raw materials, mainly including store fixtures and fabrics and accessories used in apparel production. As of December 31, 2023, 2024 and 2025, we had inventories of RMB9,336.8 million, RMB11,987.0 million and RMB10,818.9 million, respectively. As of December 31, 2023, 2024 and 2025, the total amount of our inventory under returnable model amounted to RMB7,204.5 million, RMB8,271.4 million and RMB7,690.0 million, respectively, accounting for 77.2%, 69.0% and 71.1% of total inventory as of the same dates, respectively.

We account for returnable procurement arrangements in accordance with Hong Kong Accounting Standards 2. Upon delivery and acceptance, we recognize returnable inventory at cost, with legal ownership and control transferred to us. Cost of sales is recognized only when the inventory is sold to end customers. During the Track Record Period, we did not apply historical return rates or related accounting estimates in recognizing inventories or cost of sales, as under our purchase agreements, we only pay for inventories that has been sold, and no payment is made for unsold inventories. This arrangement eliminates the risk of inventory impairment. Accordingly, no provisions or write-downs are made for returnable inventory.

To ensure effective inventory management under the returnable procurement arrangement, we manage and forecast inventories through a data-driven and disciplined planning process. In determining procurement volumes prior to placing orders with apparel OEM manufacturers, we primarily take into account our historical sales performance and future sales targets, and further allocate planned procurement across product categories based on expected demand and product mix. In recent years, we have enhanced our inventory management and improved our inventory structure by strengthening our product development capabilities, reducing the proportion of initial order quantities and increasing supply chain responsiveness to enable more timely replenishment. These measures allow us to better align procurement with actual market demand, mitigate the risk of overstocking and improve overall inventory turnover.

To enable management and in-time allocation of products across stores, we have established a centralized inventory mechanism. Our inventory management includes processes such as random inbound inspection, storage and regular stock checks to ensure records match physical inventory. Products that fail inbound inspection are returned to suppliers for reworking, with compensation for losses as specified in contracts. We conduct stock checks on a regular basis to maintain inventory accuracy and ensure optimal levels are maintained. We use advanced information systems to replenish stores regularly, ensuring optimal inventory levels, improving inventory turnover and enhancing responsiveness to demand fluctuations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material shortages or obsoleteness of inventories.

Warehousing and Logistics

We operate a logistics center at our headquarters in Jiangyin, Jiangsu, equipped with advanced warehousing facilities and an SAP enterprise system. As a core enterprise resource planning ("**ERP**") platform, SAP connects store sales, warehouse inventory and supplier production, enabling effective and visual management of inbound, storage, allocation, picking and outbound processes. These capabilities improve our inventory control, product turnover and stock-out forecasting, while also providing suppliers with data to support efficient supply chain operations. Our center receives products from suppliers, coordinates allocation and distributes goods to stores across the country. By linking the logistics center to each store, we respond quickly to store replenishment, restocking and returns. As of the Latest Practicable Date, we operated a total of seven warehouses, of which six are located in Jiangyin and are owned by us, and one is located in Zhangjiagang, which is leased from a third party. The salient terms of the warehouse lease agreement are set out below:

- ***Duration***: The lease term is typically one year, with the specific commencement and expiration dates stipulated in the lease agreement. We and the lessor will negotiate the renewal of the lease no later than three months prior to its expiration. If no renewal agreement is reached, the lease will automatically terminate upon expiry

- ***Fees and payment***: Rental and property management fees are calculated based on the contracted area, with the tax-inclusive unit price, payment cycle, and amounts specified in the annexes to the lease agreement. The initial rental and property management fees are payable according to the agreed schedule upon execution of the lease or prior to delivery of the premises, while subsequent payments are made quarterly in advance.

- ***Renovation***: If we intend to carry out any renovation, refurbishment, or structural modification to the premises, we are required to submit a written application in advance and obtain the lessor's consent. For any structural modifications, we must provide detailed plans and bear the relevant costs.

- ***Insurance***: Both parties are required to procure necessary property insurance and public liability insurance.

We also partner with multiple third-party logistics providers for all product transportation related to both offline and online sales delivery, inventory movements among sales locations. During the years ended December 31, 2023, 2024 and 2025, we engaged 11, 12 and 10 third-party logistics providers, respectively. We regularly assess logistics partners based on capacity, network coverage, pricing, management systems and responsiveness. These assessments influence whether to continue, expand or reduce cooperation. This warehousing and logistics system supports efficient nationwide distribution, rapid response to store needs and effective inventory management. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material disruption in the delivery of our products or suffered any loss due to late delivery or mishandling of products by our logistics service providers.

PRODUCTION

Outsourced Production

During the Track Record Period, we primarily partnered with reliable third-party manufacturers to produce garments, ensuring optimal operational efficiency and maintaining stringent quality control standards. In 2023, 2024 2025, our cost of finished apparel procurement amounted to RMB9,884.1 million, RMB9,322.0 million, and RMB9,727.5 million, respectively, accounting for 86.9%, 84.9% and 84.4% of our costs of sales during the same years, respectively. We retain full authority over product attributes, functionality and design, ensuring that our offerings meet the expectations of our customers. Our efforts focus on refining key product parameters such as fabric quality, durability, comfort and fitness, aligning with the preferences and needs of consumers. When selecting third-party manufacturers, we carefully consider a range of factors, including price, production capacity, delivery schedules, geographic proximity, financial stability and reputation. We regularly adjust production volumes among our third-party manufacturers to avoid over-reliance on any single partner. See "— Supply Chain Management — Our Procurement" for salient terms of our outsourced production agreement.

In-house Production

During the Track Record Period, our in-house production focused on garments for our corporate apparel customization business. We have one self-owned production base in Jiangyin of Jiangsu Province, and two leased production bases in Luoyang and Kaifeng of Henan Province, respectively, with a total gross floor area of approximately 230.1 thousand square meters.

The following table sets forth the production capacity, production volume and utilization rates of our in-house production base for the years indicated:

	Year ended December 31,								
	2023			2024			2025		
Production Plants	Production Capacity(1)	Production Volume(2)	Utilization Rate(3)	Production Capacity(1)	Production Volume(2)	Utilization Rate(3)	Production Capacity(1)	Production Volume(2)	Utilization Rate(3)
	(unit)	*(unit)*	*(%)*	*(unit)*	*(unit)*	*(%)*	*(unit)*	*(unit)*	*(%)*
Jiangyin Production base	6,105,420	6,664,756	109.2	5,559,720	5,634,737	101.3	4,994,760	5,202,323	104.2
Luoyang Production base	385,200	286,499	74.4	706,200	724,521	102.6	385,200	355,699	92.3
Kaifeng Production base	2,568,000	2,632,883	102.5	2,568,000	2,348,084	91.4	2,792,700	2,527,102	90.5
Total	**9,058,620**	**9,584,138**	**105.8**	**8,833,920**	**8,707,342**	**98.6**	**8,172,660**	**8,085,124**	**98.9**

Notes:

(1) The production capacity for each year is calculated based on the following assumptions: (i) 321 operational days per year and (ii) 10-12 operating hours per day. The relatively high utilization rates of our Jiangyin production bases were primarily attributable to increased production demand during peak seasons, which necessitated overtime work by production staff to ensure timely fulfillment of customer orders.

(2) The production volume refers to actual production of the products for the relevant year.

(3) The utilization rate during the year is calculated by dividing production volume by the production capacity for the same year.

(4) Our Luoyang production base commenced operation in July, 2023.

Our Production Process

The typical production lead time for our products is approximately 30 to 40 days. After receiving customer orders, we finalize technical specifications and procure fabrics and accessories from qualified suppliers. Garments are then produced through standardized processes, including automated cutting, sewing and pressing, to ensure consistency and quality. Finished products are inspected, packaged and delivered to customers in accordance with established quality control and logistics procedures. The following chart illustrates our production process:

Production Equipment

During the Track Record Period, we procured our main production equipment from established domestic suppliers. This allows us to effectively integrate advanced production technologies to optimize efficiency and ensure consistent product quality. The major production equipment used in our manufacturing operations include equipment for design and pattern making, automated fabric cutting, sewing and embroidery, garment pressing and finishing, quality inspection and packaging. As of the Latest Practicable Date, our major production equipment primarily include: (i) preshrinking machine, which reduces fabric shrinkage through mechanical deformation and moist heat treatment and is used in the finishing stage of continuous dyeing and printing lines; (ii) intelligent cutting bed, which ensures consistent cutting accuracy through intelligent cutting control software and a knife control system, and supports automated operation to improve production efficiency; (iii) fusing machine, which bonds fusible interlining to fabric for garment components and improves finish stability; (iv) forms uniform stitches through controlled interlacing of upper and lower threads and allows adjustable stitch length and thread tension for various sewing processes; (v) 3D ironing Equipment, which uses temperature, pressure and steam to smooth wrinkles, shape garments and stabilize dimensions; (vi) intelligent hanger system, which supports fully automated hanging production line operations to enhance production efficiency. These machines have been adopted in the manufacturing our corporate apparel and customization products.

QUALITY CONTROL

Our commitment to maintaining the highest quality standard across our products is reflected in our meticulous approach to product design and development, production and delivery. To meet the demands of rapid innovation and fabric development, we have established a robust internal testing mechanism within the HLA Cloud Apparel Lab, which enables multi-dimensional testing and validation of new materials, and supports product development and continuous improvement in fabric quality and functionality. Notably, we actively participate in the formulation and revision of national and industry standards, reflecting our technical expertise and influence in the field. We co-drafted the national standard GB22849-2024: Knitted T-Shirts, which officially came into effect on October 1, 2024. This milestone not only demonstrates our professional capabilities in the knitted apparel sector but also highlights our commitment to advancing industry standardization and contributing to the broader development of the textile industry. Our quality control process includes continuous monitoring and inspections throughout production. Products undergo a three-tier inspection system: (i) supplier inspection reports certified by professional agencies; (ii) pre-warehouse sampling and random checks before market entry; suppliers must meet strict national and internal standards and any products failing to meet these criteria are rejected; (iii) upon delivery, our quality control team conducts additional sampling to verify compliance with approved standards. Non-compliant batches are returned to suppliers, who are held accountable for any disruptions to sales.

OUR MAJOR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily included retailers, distributors, customers of our corporate apparel customization business and individual customers. Revenue from our five largest customers in each year during the Track Record Period was RMB865.2 million, RMB1,511.3 million and RMB1,674.7 million, respectively, accounting for 4.2%, 7.5% and 8.0% of our total revenue for the respective year. Revenue from our largest customer in each year during the Track Record Period was RMB362.8 million, RMB728.0 million and RMB751.3 million, respectively, accounting for 1.7%, 3.6% and 3.6% of our total revenue for the respective year. During the Track Record Period, our suppliers primarily included apparel OEM manufacturers and suppliers of raw materials. Purchases from our five largest suppliers in each year during the Track Record Period were RMB1,385.5 million, RMB2,963.9 million and RMB2,065.1 million, respectively, accounting for 13.7%, 22.2% and 19.9% of our total purchases for the respective year. Purchases from our largest supplier in each year during the Track Record Period were RMB354.3 million, RMB1,484.7 million and RMB955.9 million, respectively, accounting for 3.5%, 11.1% and 9.2% of our total purchases for the respective year.

As of the Latest Practicable Date, except for one supplier, who is a connected person of one of our Directors and was our fifth-largest supplier in 2023, all of our major customers and suppliers were Independent Third Parties and none of our Directors, their close associates or any of our Shareholders (who owned, or to the knowledge of our Directors, had owned more than 5% of our issued share capital) had any interest in any of our major customers or suppliers in each year during the Track Record Period. Our Directors further confirmed that all of our transactions with this aforementioned supplier were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis. During the Track Record Period, none of our major customers was also a supplier, and *vice versa*.

DIGITAL MANAGEMENT

We have established digitalized operation systems that span supply chain management, inventory management and logistics management. Empowered by our ERP system, the key systems and platforms include: (i) product development data center supporting design innovation and trend analysis, (ii) retail operations decision system, (iii) supply chain collaboration that monitor store performance, customer behavior and sales trends, and (iv) supply chain collaboration platform that connects suppliers, production facilities and distribution centers to ensure agile replenishment and minimize lead times. To strengthen inventory visibility and operational precision, we embed RFID identification codes into product tags and deploy RFID technology for smart tracking. This technology not only enables real-time inventory monitoring and accelerates replenishment response, but also effectively reduces stock-outs and overstocking, thereby optimizing inventory structure at stores. Additionally, we are driving the digital transformation of our manufacturing operations through the HLA Cloud Apparel Smart Factory. Powered by 5G, AI, IoT and big data, our smart factory supports flexible mass production of corporate apparel customization orders and rapid turnaround times — garments can be produced in as little as four days and delivered within seven days. Our IT team devotes significant efforts to developing and upgrading information systems, such as E3+, SCM Collaborative Purchasing and Sales, and SAP EWM for warehouse management, which allow our various departments to function effectively and to facilitate the collection, management and analysis of data. During the Track Record Period and up to the Latest Practicable Date, we did not experience any information technology system failure or downtime that had a material adverse effect on our business operations.

DATA PRIVACY AND SECURITY

We collect and maintain certain customer information during the ordinary course of our business to the extent necessary for the sale and delivery of our products and the provision of services. The collected information primarily encompasses such as customers' names, mobile numbers, transaction records and shipping addresses. The collection of such data facilitates user registration, order processing, membership management, gift redemption and other services related to the sale of our products. With our members' prior consent or otherwise permitted under PRC laws or regulations, we collect certain sensitive personal information of our members in connection with our membership program in the course of our daily principal business operations in the PRC. Such sensitive information primarily include, for example, members' location collected for the purpose of displaying nearby store locations to members and facilitate members to auto-fill shipping address.

We have implemented measures to preserve the confidentiality of such information to ensure regulatory compliance. Specifically, we encrypt members' data during transmission through secure communication protocols and protect members' data stored on our systems by applying secure storage devices and encryption technologies. We conduct regular audits to identify and address potential security vulnerabilities. We require our employees to enter into confidentiality agreements to safeguard data security. Our employees receive thorough training on data privacy and security protocols, equipping them with the knowledge needed to handle data responsibly. Furthermore, we have implemented strict access controls and monitoring systems to prevent unauthorized access and we have also applied ISO 27001 for the purpose of information security management and the relevant management system is certified. Adhering to the principles of least privilege and limited scope, we restrict database access permissions so that staff at different authorization levels can only view customer information for a single store or individual member at a time, thereby enhancing data security and privacy. Additionally, we have established clear incident response protocols to enable rapid and effective handling of security events, with dedicated teams conducting investigations, assessments and resolutions based on severity, while also preparing detailed reports to refine future strategies. We apply strict safeguards to protect sensitive user data during collection and processing. Our cloud security framework includes advanced protection measures such as anti-virus, anti-Trojan, anti-ransomware, regular vulnerability patching and the interception of abnormal attacks. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss. Given that legislation and law enforcement in the PRC on data privacy and security are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

During the Track Record Period and up to the Latest Practicable Date, all members' personal information collected in the course of our daily business operations in the PRC is stored within the PRC. In addition, we have also established membership program in six countries overseas as of the Latest Practicable Date, which involve the collection of personal information. During the Track Record Period and up to the Latest Practicable Date, we have not received any inquiries, investigations, penalties or rectification requests from overseas regulatory authorities in relation to data compliance, privacy protection or similar matters. To the best knowledge of our Directors, there has also been no incidents of data leakage, unauthorized cross-border data transfer, or other material data compliance risks. In the ordinary course of our business, we provide members' personal information to third parties such as third-party logistics providers, store partners and suppliers. We provide information to those third parties only after obtaining our customers' prior consent or otherwise permitted under applicable PRC laws and regulations, and we limit such information sharing to the extent necessary for the provision of products and services to our customers. Specifically, when a customer place orders online, we may share with the logistics service providers the customer's personal information necessary for product delivery. For products of our cooperating suppliers ordered by customers through our platform, they are responsible for delivering products to customers, and we may share with them customers' information necessary for product delivery and after-sales service. In addition, when a customer purchases our products through our offline stores or seeks product return with the assistance of our store partners, we may collect the customer's personal information necessary for processing their requests, such as the customer's order information and product return information, subject to necessary measures to safeguard members' personal information such as entering into confidentiality clause and encrypted data transmission. We are not engaging in any cross-border transmission of PRC members' personal information. In addition, the Revised Measures for Cybersecurity Review prescribes the conditions under which a cybersecurity review must be conducted. Pursuant to Articles 5 and 7 of the Revised Measures for Cybersecurity Review, a CIIO purchasing network products and services that affect or may affect national security or a network platform operator with personal information of more than one million users which seeks listing in a foreign country is obliged to apply for a cybersecurity review. As of the Latest Practicable Date, we have not received any official notification from relevant regulatory authorities designating our network facilities and information systems as critical information infrastructure or requiring us to apply for a cybersecurity review, and our proposed [**REDACTED**] is a [**REDACTED**] in Hong Kong instead of listing abroad.

Based on the foregoing, our PRC Legal Advisor advised us that our proposed [**REDACTED**] does not trigger the obligation to proactively apply for a cybersecurity review pursuant to the provisions of Article 5 and Article 7 of the Revised Measures for Cybersecurity Review. However, as advised by the our PRC Legal Advisor, the Revised Measures for Cybersecurity Review grant the regulatory authorities the discretion to initiate a cybersecurity review if they deem any network products and services or data processing activity affects or may affect national security; therefore, we cannot rule out the possibility that the relevant regulatory authorities may conduct cybersecurity review on us accordingly. As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had complied with applicable PRC laws and regulations relating to data privacy, data use and storage, and cybersecurity in all material respects.

INTELLECTUAL PROPERTY

Intellectual property rights are critical to our continued success. As of the Latest Practicable Date, we maintained a portfolio of 10,925 registered trademarks, 577 copyrights, 395 patents and 79 domain names in the Chinese mainland, and 1,519 trademarks and 27 domain names overseas. See "Appendix VI Statutory and General Information — Further Information about our Business — Intellectual Property Rights." We rely on a combination of patent, trademark, copyright and other intellectual property protections laws in the jurisdictions in which we operate, fair trade practices, contractual arrangements and confidentiality procedures to establish and protect our proprietary technologies, know-how and other intellectual property rights. Despite our precautions, we may be subject to risks associated with the alleged infringement of third parties' intellectual property rights or the infringement of our intellectual property rights by third parties. See "Risk Factors — We may face claims or litigation for alleged infringement of third-party intellectual property rights, which may require significant defense costs and disrupt our normal business operations." During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

ESG Governance

We have established a robust ESG governance framework under which (i) our Board of Directors reviews our ESG strategy, approves key objectives and monitors progress to ensure alignment with long-term business goals, (ii) our management team leads the execution of ESG initiatives across all business units, setting targets, communicating expectations and overseeing performance and (iii) our ESG working group translates strategic objectives into practical action plans and embeds ESG principles into daily operations. This three-tier governance structure ensures clear accountability, effective coordination and the integration of ESG considerations throughout the organization.

Climate-Related Risks and Opportunities

Climate-Related Risks

Our operations primarily face physical and transitional risks as a result of climate change:

Physical Risks. Extreme weather events such as heavy rainfall and typhoons can disrupt logistics, supply chain operations and store operations, damage infrastructure and cause power outages at production and sales sites. Such events may lead to the temporary suspension of manufacturing and sales activities, delays in product delivery and increased operational costs for repairs and contingency measures. Flooding or prolonged adverse weather could also affect raw material availability and transportation efficiency, creating further challenges for business continuity.

Transitional Risks. The transition to a low-carbon economy introduces regulatory, market and operational risks. Stricter environmental regulations and carbon reduction mandates may increase compliance costs and require significant investment in technology upgrades and process optimization. Rising energy prices and resource scarcity could impact production costs and profitability. In addition, failure to meet stakeholder expectations on climate action could result in reputational damage, affecting brand trust and consumer loyalty.

Climate-Related Opportunities

Climate change and evolving sustainability expectations present significant opportunities for us to innovate and strengthen our competitive advantage. We are capitalizing on these opportunities through operational transformation and product innovation.

Advancing Low-Carbon Manufacturing. We have integrated renewable energy solutions into our operations, including green electricity procurement. These initiatives reduce greenhouse gas emissions, improve energy resilience and lower long-term operating costs. Our ISO 14001 environmental management and ISO 50001 energy management certifications underscore our commitment to sustainable operations.

Reducing Resource Consumption. Through ongoing process optimization and technology upgrades, we minimize resource use across production and logistics. Initiatives such as steam heat recovery systems, high-efficiency motors and water-saving dyeing technologies significantly reduce energy and water consumption while improving operational efficiency.

Promoting the Circular Economy and Sustainable Materials. We embed circular economy principles into product design and supply chain management. By adopting eco-friendly materials such as Sorona® bio-based fiber, TENCEL™ lyocell and recycled polyester, and implementing innovative dyeing techniques, such as fruit-based and plant-based dyes, we reduce our environmental impact and meet the growing consumer demand for sustainable fashion.

Strategies for Addressing ESG-Related Risks

We take a structured approach to identifying, assessing, managing and mitigating ESG and climate-related risks across our operations. Our strategies are integrated into our enterprise risk management framework and supported by ISO-certified systems for environmental, energy and occupational health and safety management. We address ESG risks through (i) systematic risk identification and evaluation to ensure compliance and anticipate regulatory changes, (ii) strong governance, with the Board of Directors providing oversight and management monitoring ESG performance and escalating material issues, and (iii) active stakeholder engagement through investor briefings, supplier audits and consumer feedback to confirm our ESG priorities and address material topics. To mitigate risks, we implement targeted measures such as adopting renewable energy, upgrading to high-efficiency equipment and enforcing supplier compliance with social and environmental standards. These efforts help us to minimize ESG-related risks, strengthen resilience and create long-term value for stakeholders.

Metrics and Targets

Our environmental strategy is based on green manufacturing and low-carbon operations, as outlined in our sustainability roadmap. We are committed to reducing resource consumption and improving efficiency across our production facilities and office environments. This commitment is supported by ISO 14001 environmental management and ISO 50001 energy management certifications, ensuring compliance with international standards and continuous improvement. During the Track Record Period, we implemented several initiatives to optimize resource use, including installing steam heat recovery systems, replacing motors with high-efficiency models and adopting water-saving dyeing technologies. In addition, we promote green office practices such as paperless workflows, energy-saving lighting and waste recycling to minimize our environmental impact. The following table sets forth our consumption of resources throughout our operation during the Track Record Period:

		For the year ended December 31,		
	Unit	2023	2024	2025
Electricity	*kWh*	56,937,807	63,277,818	62,426,897
Water	*Tons*	873,314	851,741	1,002,516
Gas	m^3	629,295	636,981	639,528

We are committed to reducing our environmental impact by managing water and electricity use responsibly across all operations. Our targets are to reduce electricity consumption per unit of production by 3% and water consumption per unit of production by 2% by 2027, compared to the baseline year 2024. We also aim to increase the share of renewable energy in our total electricity consumption to 25% by 2027. To achieve these goals, we have implemented an ISO 50001-certified energy management system and continuously monitor resource use at our major industrial parks. We are upgrading production equipment for greater efficiency, installing steam heat recovery devices to minimize waste and expanding the use of solar power and other renewable energy sources in our logistics parks and production sites. We encourage water conservation by installing water-saving devices, posting reminders in water-use areas and raising employee awareness. In our offices, we promote digital practices to reduce paper and energy use and encourage recycling and the reuse of materials.

Carbon Emission

According to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, we have identified that the primary greenhouse gas ("GHG") emissions generated during our production process fall under Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (indirect emissions from the generation of purchased electricity and heat consumed by the company). The following table sets forth the amount of Scope 1 and Scope 2 GHG emissions that we generated during the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
Scope 1 GHG Emissions tCO_2e	2,418.8	2,815.2	3,163.2
Scope 2 GHG Emissions tCO_2e	32,674.3	34,990.1	34,222.1
Total tCO_2e	35,093.1	37,805.4	37,385.2

We are committed to implementing a comprehensive carbon management system, which will include regular GHG inventories and third-party verification. Production equipment and facilities will be upgraded to enhance energy efficiency and lower emissions, while the use of renewable energy (e.g. solar power) will be expanded at our logistics parks and production sites. In addition, we will drive green supply chain management by requiring suppliers to monitor and reduce their own emissions. Low-carbon and circular economy practices will be integrated throughout all stages of production, from the adoption of eco-friendly materials to the implementation of waste reduction initiatives. We also plan to encourage waste sorting and recycling both in our daily operations and across our supply chain. Strict adherence to all relevant environmental laws and regulations will be maintained. Through these actions, we aim to ensure continuous improvement and steady progress toward our long-term emission reduction and sustainability objectives.

Sustainable Operations

Waste Management

Our waste management practices are guided by the principles of waste reduction, resource utilization and harmless treatment, and strictly comply with the applicable environment laws. Waste management is fully integrated into our environmental compliance and green office framework, covering both production and office operations. In our manufacturing operations for our corporate apparel customization business, we minimize waste generation through continuous process optimization. We also strictly enforce waste segregation and ensure the compliant disposal of all production byproducts. To further ensure effective control of waste throughout the production process we also apply enhanced solid waste management measures in the production process. In our offices, we enforce strict waste sorting, recycle paper and supplies, and promote paperless operations. We have also upgraded to energy-efficient lighting and optimized air conditioning usage to minimize resource consumption at the source.

Product Reuse and Recycling Management

Our product reuse and recycling management is guided by the principles of durable design, recyclability prioritization and closed-loop circulation, in alignment with SDG 12 "Responsible Consumption and Production." We have incorporated circular economy concepts into our product strategy and obtained China Environmental Label certification, emphasizing raw material safety, energy-efficient production and waste recycling throughout the product lifecycle. At the design stage, we focus on enhancing durability and recyclability, prioritize natural and environmentally friendly materials, and reduce environmental impact at end of life. Along the supply chain, we work with upstream suppliers to advance circular economy practices and extend green procurement principles upstream to build a closed-loop supply chain.

Green Production

We have implemented a number of green production technologies to enhance resource efficiency and reduce environmental impact in our manufacturing processes. In particular, we have adopted digitalized and intelligent solutions at our production facilities, including a 5G-enabled smart factory integrating circular assembly lines, automated guided vehicle logistics systems and a digital energy management platform, which enables real-time monitoring and optimization of electricity, water and gas consumption. In addition, we utilize intelligent cutting systems with AI-enabled pattern layout optimization to improve fabric utilization and minimize material waste, thereby enhancing production efficiency while reducing energy consumption and excess offcuts.

We also extend our green production standards to our apparel OEM manufacturers. We incorporate environmental and energy efficiency criteria into selection and evaluation, and require compliance with applicable environmental laws and restrictions on hazardous substances. We conduct ongoing monitoring, including on-site supervision and regular assessments, to oversee production processes and environmental practices. We further encourage our apparel OEM manufacturers to adopt advanced, low-impact production technologies, such as intelligent cutting, water-saving dyeing and digitalized production management systems, and provide training on environmental protection and regulatory compliance. Supplier performance in environmental aspects forms part of our evaluation framework and may affect order allocation and ongoing cooperation.

Sustainable Supply Chain

Out of our commitment to maintaining a sustainable supply chain, we implement graded preparedness for key materials, such as pre-booking seasonal down and maintaining safety stock for common base fabrics, and work with core suppliers under annual framework arrangements that secure minimum supply, indexed pricing and reserved capacity. We also digitalize key processes through Supply Chain Management ("SCM") system for end-to-end visibility, Style 3D digital sampling platform for virtual sampling and the Product Lifecycle Management ("PLM") system, enabling faster development and reducing waste. Our framework is supported by periodic risk audits, supplier tiering and performance management, emergency material reallocation mechanisms and inventory buffers through regional hubs.

Water and Pollution Management

For water and pollution management, we operate in strict alignment with ISO 14001 standards and applicable PRC laws and regulations on water and environmental protection. We have established comprehensive internal policies on this matter and operate an ISO14001:2015 environmental management system. In our operations, we deploy water-saving equipment, promote employee water-conservation practices and recycle treated wastewater where feasible. In addition, we integrate renewable energy solutions, including photovoltaic systems, together with energy retrofitting and waste heat recovery, to reduce water and electricity intensity. At the product level, we adopt lower-impact processes such as fruit-dyeing.

Fair Trade

We uphold the principles of business ethics, transparency, compliance and mutual benefit, and maintain a zero-tolerance stance toward bribery, monopolistic practices and unfair competition. Fair trade requirements are embedded into our ESG governance and business ethics framework, under which suppliers are required to adopt anti-corruption policies and strengthen internal controls and risk management. Internally, we have enhanced our compliance mechanisms and expressly prohibit commercial bribery. Our frontline attendance system is integrated with the HR shared platform, and electronic attendance supported by facial recognition helps ensure fairness in employee remuneration and promotion. Externally, we implement a tiered supplier evaluation and dynamic management system, with assessment criteria covering business ethics and compliance.

Social Responsibility

Our commitment to social responsibility is reflected in our strong protection of labor rights, equal opportunities for employment and advancement, competitive compensation and benefits, and a work environment that emphasizes safety, health and well-being.

Labor Rights

We are committed to strict compliance with all relevant labor laws and regulations, ensuring fair recruitment, equal opportunities and a workplace free from discrimination. We have established clear internal employment policies to ensure compliance with applicable labor laws and regulations, including the requirements of not employing child labor or forced labor. Prior to hiring, we verify candidate eligibility to ensure that our recruitment processes are fully compliant with relevant employment requirements. In addition, we place a high priority on responsible sourcing and has implemented internal control policies to ensure that raw materials procured are not produced using child labor or forced labor. We support our employees' development and well- being through targeted programs, and offer competitive compensation and benefits, with regular reviews to ensure fairness and market competitiveness of our remuneration. We encourage open communication and employee participation through various channels such as feedback boxes, internal forums and staff representation in management meetings. Employees are invited to share suggestions and concerns and we respond promptly to reasonable requests. For employees facing personal or family challenges, we provide targeted support, such as financial assistance for medical emergencies and educational support for children. By upholding these principles, we strive to create a fair, supportive and inclusive workplace for all employees.

Talent Development

We believe that talent is the driving force behind innovation and sustainable growth. We offer extensive training programs that combine theory and practical experience, including classroom instruction, online learning platforms and hands-on workshops. In 2024, our training base was recognized as a digital talent training center, reflecting our commitment to industry leadership. We support career progression through targeted programs for new hires, frontline staff, managers and future leaders. Initiatives such as the "Phoenix Program (鳳凰計劃)" and the "Sailing Plan (航海計劃)" leadership boot camps and professional development classes help employees build expertise and prepare for advancement. We also partner with leading universities and research institutes to provide opportunities for academic exchange, collaborative projects and internships, bridging the gap between classroom learning and workplace application.

Occupational Health and Safety

Our occupational health and safety management system is ISO45001 certified and is designed to ensure a safe, healthy and comfortable working environment for everyone. We have established comprehensive safety policies and procedures, including regular risk assessments, safety training and management of higher risk file. We are investing in technical upgrades, protective equipment and facility improvements, and perform regular maintenance on equipments.

All employees receive safety training tailored to their roles, including onboarding for new hires, ongoing education for current staff and specialized instruction for those in high-risk positions. We conduct regular safety briefings, accident case studies and fire safety knowledge lecture to reinforce a culture of safety and awareness. We also maintain a robust incident management system, with clear protocols for reporting, investigating and responding to workplace accidents. Our facilities are regularly inspected and maintained to ensure compliance with safety standards and to support the well-being of our workforce. During the Track Record Period and up the Latest Practicable Date, there were no material accidents during product manufacture.

Social Impact

We are committed to making a positive impact on society through our business operations and public welfare initiatives. We actively participate in charitable programs, such as the "More Warmth (多一克溫暖)" initiative, which has provided custom-made winter clothing and school supplies to thousands of students in remote regions across China. Our team regularly visits beneficiary schools, engages with local communities and supports cultural and educational activities that foster long-term development. We also champion sports and healthy living by sponsoring major events such as city marathons and local basketball tournaments. In addition, we collaborate with local governments, nonprofit organizations and cultural institutions to address social needs and contribute to public welfare. We offer targeted support for employees and families facing personal challenges and we encourage our staff to participate in volunteer work and community engagement. By integrating social impact into our core business strategy, we strive to create shared values for our employees, customers and society as a whole.

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a comprehensive set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks associated with our daily operations. These procedures are reviewed periodically to ensure their continued effectiveness. By clearly defining departmental and personnel responsibilities, we conduct audits of key operational processes and refine our risk management practices to support robust internal controls and sustainable growth.

Our internal policies cover critical areas such as material procurement, design and development, sales management, contract management and connected-party transactions. These policies promote standardization, procedural efficiency and institutionalized internal management. To ensure compliance, we organize training programs for executives and employees to familiarize them with relevant regulations and policies, ensuring that all business activities are conducted lawfully and in accordance with applicable standards.

We have developed an end-to-end risk management system that encompasses risk identification, assessment, monitoring and control. This system enables us to detect potential risks within business processes, evaluate their severity and implement timely control measures to effectively manage operational risks. Through proactive risk management, we maintain business resilience and adaptability in a dynamic environment. In line with our internal control evaluation standards and our internal audit management policy, our internal control department conducts annual self-assessments to evaluate the design and operational effectiveness of our internal control systems. These assessments are carried out independently and objectively. Additionally, we engage third-party institutions to audit our internal controls, driving the continuous improvement of our internal control framework and upholding the highest standards of corporate governance.

We have also established specific measures to prevent false or excessive advertising and to address potential misconduct or non-compliance by employees, store partners, distributors, suppliers or other business partners. These measures include the implementation of stringent oversight mechanisms, ethical guidelines and regular compliance training, among others. Any suspected misconduct or non-compliance is subject to prompt investigation and, where necessary, disciplinary action or termination of business relationships.

COMPETITION

China's apparel industry is highly competitive and remains fragmented, with the top five players accounting for 11.8% of total market share by revenue in 2025. Leading companies compete across multiple segments and channels, focusing on product quality, pricing discipline, supply chain efficiency and brand reputation. As consumer preferences shift toward comfort, functionality and value, brands with strong product development, standardized operations and integrated digital and physical supply chains are better positioned to capture market opportunities and drive repeat purchases. The market is also undergoing structural changes, with a rising share of directly-operated stores and a shift toward prime commercial districts. Online channels continue to grow in importance, driven by content engagement and membership programs that enhance conversion and retention. We compete with both domestic and international brands, some of which may have greater resources and broader recognition. Nevertheless, our disciplined pricing, robust product design and dynamic sales network enable us to attract and retain consumers and further increase our market share. See "Industry Overview."

SEASONALITY

The consumption of apparel products is subject to seasonal fluctuations. Our sales are generally higher in the first and fourth quarters of each year, primarily due to season changes, traditional holiday shopping periods and new product launches that stimulate consumer demand. For example, colder weather in the first quarter and year-end festivities typically drive increased purchases of outerwear and winter collections, while promotional activities and new arrivals further boost sales. For related risks, see "Risk Factors — Risks Relating to Our Business and Industry — Our Business is Subject to Seasonality."

EMPLOYEES

As of December 31, 2025, we had 29,375 full-time employees located in China. The following table sets forth a breakdown of our employees by business function as of the same date:

Business Function	Number of Employees	Percentage
Sales and Marketing	18,672	63.6%
Production	3,274	11.1%
Administration	3,503	11.9%
Research and Development	1,280	4.4%
Others	2,646	9.0%
Total	**29,375**	**100.0%**

We leverage various recruitment channels, including professional recruitment websites, campus recruitment and employee referrals, to attract top talent. We are dedicated to fostering a fair and equitable working environment for all our employees. To motivate our workforce, we offer competitive salaries and comprehensive welfare packages. In addition, we provide extensive training programs for employees at all levels, which include induction training for new hires, management skills training for key personnel in leadership roles, and regular and specialized training programs tailored to the specific needs of employees in various departments. We and one of our subsidiaries have established labor unions that safeguard employees' rights, support our economic objectives, encourage employee participation in management decisions and assist in mediating disputes between us and union members. We have maintained strong relationships with our employees and have not encountered any significant labor disputes during the Track Record Period.

We are required under PRC laws to make full contributions to employee benefit plans at specified percentages of salaries, bonuses and certain allowance for our employees. During the Track Record Period, we did not make full social insurance contributions and housing provident fund contributions for certain of our employees. As advised by our PRC Legal Advisor, pursuant to the applicable PRC laws and regulations, where an employer fails to make full social insurance contributions, the relevant authorities may order the employer to pay the outstanding amount within a prescribed time limit and impose a daily late payment fee of 0.05% of the outstanding amount. If the employer still fails to comply, a fine ranging from one to three times the amount of the outstanding contributions may be imposed. Where an employer fails make full contribution to housing provident funds, the relevant authorities may order the employer to make the required contributions within a prescribed time limit. If the employer fails to comply, the authorities may apply to the PRC courts for compulsory enforcement of payment. In addition, under Article 19(1) of the Interpretation II of the Supreme People's Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (the "**New Judicial Interpretation**") promulgated on July 31, 2025 and effective from September 1, 2025, any agreement or undertaking between an employer and employee to waive the payment of social insurance contributions shall be deemed invalid by PRC courts. Where an employer fails to make social insurance contributions as required by law, the employee is entitled to seek to terminate the employment contract and claim economic compensation pursuant to Article 38(3) of the PRC Labor Contract Law. See "Risk Factors – Risks Relating to Our Business and Industry – We may experience increases in labor costs, shortage of labor or deterioration in labor relations, as well as potential non-compliance with labor-related laws and regulations in the PRC, all of which could adversely affect our business, financial condition and results of operations."

As advised by our PRC Legal Advisor, under the Notice of the General Office of the State Taxation Administration on Properly and Orderly Carrying Out the Collection and Administration of Social Insurance Contributions (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》(稅總辦發[2018]142號)), local tax authorities at the provincial level are generally not allowed to independently conduct retrospective investigations or collection of social insurance contribution shortfalls for prior years. We undertake to pay the social insurance and housing provident funds in full amount and in a timely manner after receiving notices to rectify the non-compliance from the relevant authorities. During the Track Record Period and up to the Latest Practicable Date, (i) we had not been subject to any material administrative penalties, fines or sanctions relating to the failure to make full contributions to social insurance and housing provident funds; (ii) we had not received any notice from the social insurance contribution collection authorities or housing provident fund administration authorities regarding overdue or outstanding social insurance or housing provident fund contributions; and (iii) we were not aware of any complaints raised by our employees with respect to social insurance or housing provident fund contributions, nor have we had any material labor disputes with our employees relating thereto. Our PRC Legal Advisor is thus of the view that, under the premise that there are no significant changes to current PRC policies and regulations or to the enforcement and supervision requirements of local governments, and assuming no employee complaints are filed, the likelihood that we would be subject to material administrative penalties or concentrated recovery actions by the relevant authorities for our past shortfall due to our failure to provide full social insurance and housing provident fund contributions is remote. As such, during the Track Record Period, we did not make provisions for such shortfalls.

In addition, our PRC Legal Advisor is of the view that the New Judicial Interpretation would not affect our non-compliance with social insurance contributions as it does not repeal or revise the social insurance laws and regulations currently in force in the PRC, and would not cause us to undertake additional material social insurance exposure.

Taking into account the foregoing and, in particular, the facts that during the Track Record Period and up to the Latest Practicable Date, (i) we had not been subject to any material administrative penalties, fines or sanctions relating to the failure to make full contributions to social insurance and housing provident funds; (ii) we had not received any notice from the social insurance contribution collection authorities or housing provident fund administration authorities regarding overdue or outstanding social insurance or housing provident fund contributions; and (iii) we were not aware of any complaints raised by our employees with respect to social insurance or housing provident fund contributions, nor have we had any material labor disputes with our employees relating thereto, our Directors are of the view, and our PRC Legal Advisor concurs, that the failure to make full contributions to social insurance and housing provident funds will not have any material adverse effect on our business, financial condition or results of operations.

INSURANCE

We maintain insurance coverage in place for our daily operations. Our principal insurance policies primarily include social insurance for our employees, property all-risk insurance and logistics insurance. We believe that we have adequately covered major risks in the jurisdictions in which we operate and we follow general market practices by not maintaining certain policies that are not available or required by law in those jurisdictions. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not be sufficient to cover all claims related to our business operations." We believe that our insurance coverage is deemed sufficient for our business and aligns with industry standards and market practice. We regularly review and assess our risk portfolio and make necessary adjustments to our insurance plans to meet our needs and industry practices. During the Track Record Period and up to the Latest Practicable Date, we did not have any significant insurance claims related to our business.

PROPERTIES

Our headquarters are located in Jiangsu, China. As of December 31, 2025, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of December 31, 2025, we owned 11 properties in China with an aggregate gross floor area of approximately 2,156,506 sq.m., which were primarily used for our warehouses and offices. As of the Latest Practicable Date, we had obtained the land use right certificates for all of our owned properties.

Leased Properties

As of December 31, 2025, we leased seven major properties in China, each with a gross floor area exceeding 1,000 sq.m, with an aggregate gross floor area of approximately 199,656 sq.m., which were primarily used for our warehouse, factory and office. As of December 31, 2025, we also leased 14 properties in Southeast Asia, the Middle East and Africa, with an aggregate floor area of approximately 2,736.6 sq.m., which were primarily used for offices and warehouses.

As of the Latest Practicable Date, six of our major leased properties in China had not completed the required lease registration with government authorities. Among those properties, two are factories located in Luoyang and Kaifeng, Henan Province. These properties were primarily used for our warehouse, factory and office purpose. As advised by our PRC Legal Advisor, failure to register these lease agreements does not affect their legal validity. However, we may be required by the relevant local authorities to complete the registration within a specified period, and may be subject to fines ranging from RMB1,000 to RMB10,000 per agreement. The maximum aggregate penalty, if imposed, would be approximately RMB60,000, which our Directors believe would not have any material adverse impact on our business operations. Based on the foregoing and considering that, as of the Latest Practicable Date, we had not been required to register these leases by the authorities and had not been penalized for such non-registration, our Directors are of the view that the non-registration of the lease agreements will not have any material adverse effect on our business, financial condition or results of operations.

In addition, the landlord of three of our major leased properties had not provided us with the complete and valid property ownership certificate as of the Latest Practicable Date. This property was primarily used for factory and office purpose. Specifically, among our leased properties without valid title certificates, two are factories located in Luoyang and Kaifeng, and one is an office in Guangzhou. The Luoyang and Kaifeng factories are used for production purposes. As advised by our PRC Legal Advisor, we, as tenant, would not be subject to any penalties in relation to such non-compliance incidents under the relevant PRC laws and regulations. However, our leasehold interests may be affected if the lessor do not have the requisite rights to lease the relevant premise. Taking into account (i) the relatively small proportion of such property in our overall properties, (ii) as of the Latest Practicable Date, we had not been required to cease operations due to any third-party challenge to the lessors' leasehold rights, nor were we aware of any ongoing litigation, arbitration or other legal disputes in respect of these leases, and (iii) given the readily replaceable nature of the property due to its standard usage, our Directors are of the view that the absence of valid title certificates for such leased properties would not have any material adverse effect on our business, financial condition or results of operations.

As a contingency measure, we maintain ongoing communication with the relevant lessors to monitor the status of the property ownership certificates. In parallel, we have also developed internal relocation plans to ensure business continuity in the event relocation becomes necessary. For production activities, we would be able to temporarily reallocate workloads to other facilities. For office functions, remote working arrangements and rapid office relocation can be implemented. In the unlikely event that we are required to vacate the leased properties and relocate the factories or office, we would be able to promptly identify alternative sites to ensure business continuity, and the estimated relocation cost would be approximately RMB14.1 million in total. Based on our assessment, such relocation is not expected to have a material adverse impact on our operations.

See "Risk Factors — Risks Relating to Our Business and Industry — Failure to complete lease registration for certain major properties may expose us to administrative penalties, additional compliance costs and potential operational disruptions."

LICENSES, PERMITS AND APPROVALS

We are required to obtain various licenses, permits and approvals for our business. As advised by our PRC Legal Advisor and confirmed by our Directors, save for the matters below, we have obtained the requisite licenses, permits and approvals from the applicable authorities that are material to our operations and such licenses, permits and approvals are valid and subsisting during the Track Record Period and up to the Latest Practicable Date. We renew the licenses, permits and approvals from time to time to comply with the relevant laws and regulations. We do not expect any material obstacles in renewing our licenses, permits and approvals required for our operations. The following table sets forth the details of the material licenses, approvals and permits held by us as of the Latest Practicable Date:

License/Approval/Permit	Issuing Authority	Expiration Dates
Commercial Franchise Filing .	Bureau of Commerce	Valid without an expiration date
Receipts on the Registration of Pollution Discharge for Fixed Pollution Sources . . .	Ministry of Ecology and Environment	March 2, 2027 and September 26, 2028

License/Approval/Permit	Issuing Authority	Expiration Dates
Value-added Telecommunications Business Operating Licenses	Ministry of Industry and Information Technology	September 30, 2029 and January 26, 2030

Fire Safety

As of the Latest Practicable Date, among our directly-operated stores as of December 31, 2025, (i) 36 stores had not completed the mandatory fire safety filing procedures, and (ii) 37 stores had not completed the requisite pre-operation fire safety inspection (collectively the "**Relevant Properties**"). All these stores are either leased by us or operated by us in cooperation with the shopping malls and according to the relevant cooperation agreements, we are responsible for the relevant fire safety and inspection procedures. As advised by our PRC Legal Advisor, failure to complete the fire safety filing as required under applicable PRC laws and regulations may result in an order for rectification or a fine of up to RMB5,000 for each store. Furthermore, if a public gathering venue is put into use or operation without completing the requisite pre-operation fire safety inspection, or if, upon inspection, the actual use does not conform to the committed standards, the competent authority may order the suspension of construction, use, or business operations, and a fine ranging from RMB30,000 to RMB300,000 may be imposed. The failure to complete fire safety filings and fire safety inspections (together, the "**Fire Safety Procedures**") was primarily due to the landlords' inability to provide the required fire safety documentation, or other issues unrelated to the fire safety conditions of our operating premises themselves. As advised by our PRC Legal Advisor, the potential maximum penalty we face is approximately RMB11.3 million, which our Directors believe would not have any material adverse effect on to our overall financial position.

We have engaged Hunan Xinghao Construction Co., Ltd, an independent third-party professional institution specializing in the maintenance, inspection and testing of fire protection facilities as well as fire safety assessments, which employs multiple Class 1 Registered Fire Protection Engineers and certified fire facility operators, to conduct fire safety evaluations on each of the Relevant Properties in accordance with applicable PRC laws and regulations. The fire safety consultant is primarily engaged in the maintenance and inspection of fire safety facilities and fire safety evaluation, has the relevant qualifications and certificates and has a dedicated inspection team consisting of certified fire engineers and fire safety specialists with extensive prior work experience in the maintenance and inspection of fire safety facilities and fire safety evaluation. The fire safety consultant has conducted a comprehensive review and inspection which was completed by November 2025 and May 2026. According to the fire safety consultant's reports, upon inspection at all these Relevant Properties, (i) the Relevant Properties have never experienced any fire safety accidents, nor have they faced significant administrative penalties from fire rescue authorities or been cited for fire safety violations; (ii) the business premises of the Relevant Properties have been equipped with sufficient fire safety equipment, signage, safe evacuation conditions and emergency evacuation plans, all of which are in proper working order and do not pose any major fire hazards; and (iii) all of these premises have complied with the applicable fire safety laws, regulations and standards to the extent the Fire Safety Procedures for the Relevant Properties, as the case may be, could be completed.

Based on the foregoing and considering (i) the revenue generated from the Relevant Properties was immaterial as to our total revenue during the Track Record Period, accounting for less than 1% of our total revenue in 2023, 2024 and 2025, (ii) in case any of these stores were ordered to be closed down, we believe we can relocate to alternative properties within a short period of time and at reasonable costs as there are sufficient alternative leased properties available in the market and we believe we can swiftly find substitute sites based on our past site selection experience, and (iii) these stores primarily engage in the sale of apparel, the business nature of which is generally subject to relatively low fire safety risk, our PRC Legal Advisor has advised us that the likelihood of us being subject to administrative penalties, such as suspension of use, that would have a material adverse effect on our business operations and results of operations in relation to the above-mentioned stores is low.

We place a high priority on compliance with applicable fire safety laws and regulations, considering the safety of our customers, employees and assets across our menswear retail network to be fundamental to our operations. In light of this, we have established a comprehensive internal control framework, including (i) standardized procedures governing the application, submission, tracking and follow-up of fire safety filings and inspections for all stores, which are regularly reviewed and updated to reflect changes in regulatory requirements; (ii) regular training provided to store managers and relevant personnel to enhance their awareness and understanding of fire safety obligations and procedures; and (iii) pre-opening compliance checks conducted prior to the opening of any new store to ensure that all required fire safety approvals have been obtained. We also maintain ongoing communication with legal advisors to stay informed of regulatory developments and to address compliance issues in a timely manner. Through these measures, we seek to ensure ongoing compliance with fire safety requirements and to support the safe operation of our offline stores.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions where we operate during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our brands, products and innovation. The following table sets forth major awards and recognitions we received during the Track Record Period and up to the Latest Practicable Date:

Year	Name of award or recognition	Awarding Authority
2025	National Green Factory and National Outstanding Smart Factory	Ministry of Industry and Information Technology of the People's Republic of China
2025	Top 50 Listed Chinese Apparel Enterprises in H1 2025	CFW (中國服裝網)
2025	China's 500 Most Valuable Brands	World Brand Lab (世界品牌實驗室)
2024	China Textile and Apparel Brand Competitiveness Advantage Enterprise	China National Textile and Apparel Council
2024	List of Typical Cases of Quality Improvement and Brand Building in 2024	Ministry of Industry and Information Technology of China
2024	18th Golden Cicada Award	China Times
2024	People's Ingenuity Service Award	People's Daily Online

Year	Name of award or recognition	Awarding Authority
2023	Ingenuity Product Award	People's Daily Online
2023.	First Batch of National AAA-Level Well-known Trademark Brands	China Trademark Association
2023.	First Prize of Scientific and Technological Progress in China's Garment Industry	China National Garment Association
2023.	Brand Power Project — Leading Brand	China Media Group