The following discussion and analysis should be read in conjunction with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with HKFRS.

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

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

OVERVIEW

We are 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.

Amid a complex and fast-changing market environment, we remained firmly focused on our core apparel business and executed a series of disciplined operational initiatives that supported steady growth and demonstrated the underlying resilience of our business model. 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, respectively. Our gross profit margin remained relatively stable at 45.2%, 45.5% and 45.3% in 2023, 2024 and 2025, respectively, reflecting our continued focus on product quality, operational efficiency and refined retail management.

BASIS OF PREPARATION

The Historical Financial Information have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by Listing Rules and by the Hong Kong Companies Ordinance. Further details of the material accounting policy information adopted are set out in Note 3 to the Accountants' Report set out in Appendix I to this Document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by a number of general factors that impact the overall apparel market, including overall economic development, change in per capita disposable income and per capital expenditure on apparels, evolving consumption patterns, government policies, initiatives and incentives affecting the apparel industry, regulatory environment, and the competitive environment. Unfavorable changes in any of these general conditions could materially and adversely affect our results of operations. Below sets forth a discussion of the key factors which we think that have had, and are expected to continue to have a material effect on our results of operations:

Sustained Consumer Demand for Menswear

Our results of operations have been and will continue to be influenced by sustained consumer demand for menswear. Our offerings mainly include menswear such as down jackets, jackets, suits, shirts, knitwear, T-shirts and trousers designed to meet year-round needs across core scenarios such as business commuting, everyday casual, urban outdoor and formal occasions. Purchases are largely driven by replacement and replenishment cycles, with emphasis on fit, fabric quality, comfort and functionality. Key drivers of competitiveness in menswear increasingly include a complete and consistent sizing system, clear price bands with disciplined pricing, alterations and after-sales services, AI-enabled assortment and forecasting, and expanding digital channels. Menswear represents a key segment of China's apparel market, serving approximately 600 million male consumers across work, daily life and formal events. The menswear market in China has grown steadily from RMB246.2 billion in 2020 to RMB274.4 billion in 2025, representing a CAGR of approximately 2.2%, according to Frost & Sullivan.

To capture consumer demand and further strengthen our leading position within China's menswear industry, we have invested in the expansion and diversification of our multi-brand portfolio, enabling us to cater to a broader spectrum of consumer preferences and lifestyles. In addition, we have established a comprehensive omni-channel sales network, which allows us to better integrate online and offline retail experiences and enhance customer engagement and loyalty. As a result of these efforts, HLA had ranked first in the Asian menswear market by revenue for 12 consecutive years since 2014, according to Frost & Sullivan. We believe these structural trends, combined with our market leadership under HLA and our extensive nationwide store network supported by robust omni-channel capabilities, position us well to capture future growth opportunities in China's menswear market and drive sustainable improvements in our financial performance.

Multi-brand Strategy and Diversified Product Portfolio

Our multi-brand strategy is critical to sustained growth and financial performance. We operate a diversified portfolio that includes HLA in menswear, OVV in womenswear and YeeHoO (英氏) in baby and kidswear. The operation of these brands are supported by our comprehensive capabilities in product design, supply chain integration and omni-channel retail management, enabling us to deliver consistent quality and differentiated offerings across consumer segments. HLA has long maintained undisputed leadership in the Asian menswear market and contributed the majority of our Group revenue during the Track Record Period. In 2023, 2024 and 2025, HLA contributed 78.0%, 74.8% and 70.2% of our total revenue, respectively.

Alongside our proprietary brands, we have strategically expanded into the sportswear segment. We operate the Adidas Future City Concept ("**FCC**") business exclusively in Chinese mainland and hold the HEAD apparel license for Chinese mainland, Hong Kong, Macau and Taiwan. According to Frost & Sullivan, we were the third-largest Adidas sports brand distributor in China by revenue in 2025. These partnerships deepen our reach into a fast-growing segment and complement our core apparel business. Revenue from our international sports brands had increased rapidly throughout the Track Record Period, amounting to RMB20.6 million, RMB1,070.2 million and RMB1,617.7 million in 2023, 2024 and 2025, respectively.

The successful implementation of our multi-brand strategy depends on several factors, including clear brand positioning, differentiated product development, channel optimization and operational consistency. A key driver of our multi-brand strategy is our ability to continually develop differentiated products that resonate with target consumers under each brand. Guided by the

HLA Cloud Apparel Laboratory, our R&D framework integrates fabric innovation, material testing and intelligent manufacturing to support differentiated product pipelines across menswear, womenswear, baby and kidswear and sportswear. Our development teams conduct extensive market research and work closely with suppliers to co-develop fabrics, techniques and styles that align with evolving consumer preferences, including advanced thermal materials, moisture-wicking textiles and culturally inspired design series. This systematic product development capability enables each brand to maintain relevance, strengthen consumer engagement and support healthy sell-through across our network. Our product design, supported by our scale advantages, digitalized supply chain and extensive store network, has well positioned us to capture incremental demand across apparel categories and consumer demographics. This diversified and synergistic brand portfolio is expected to support stable long-term growth, broaden revenue streams and enhance operational resilience.

Seasonality, Climate Variability and Weather Patterns

Our sales performance has historically shown a seasonal pattern, with the first quarter typically recording a noticeable uplift due to the timing of the Lunar New Year in China. Consumer spending often rises in the lead-up to the holiday, resulting in a seasonal sales peak. These seasonal dynamics, together with weather and climate conditions, may influence the timing of our revenue and affect inventory turnover. In particular, changes in global and regional climate patterns have become increasingly relevant. Warmer autumns and milder winters in recent years have delayed the onset of cold weather, directly impacting demand for higher-priced autumn and winter apparel such as outerwear and down jackets, as customers may postpone purchases or opt for lighter garments when temperatures remain elevated. A later or shorter cold season may therefore reduce sales volume and average selling prices for these products, while abrupt temperature fluctuations can lead to unpredictable demand and require increased promotional activities to stimulate sales and clear seasonal inventory, which may adversely affect our revenue and gross margin.

To address the uncertainties associated with seasonal shifts and climate variability, we have adopted a flexible sales forecasting system and developed a product portfolio that covers seasonally relevant items throughout the year. We have also implemented agile inventory management and replenishment strategies, enabling us to respond promptly to changes in consumer demand driven by holiday timing and temperature patterns.

Comprehensive Omni-Channel Sales Network

Our omni-channel sales network is a cornerstone of our revenue generation and a key driver of our results of operations. We have established the largest and most deeply penetrated offline sales network in China's menswear industry, complemented by a rapidly expanding online presence, enabling us to reach a broad and diverse consumer base across multiple touchpoints.

As of December 31, 2025, we operated a total of 7,330 stores globally, including 5,625 under HLA, spanning 31 provincial-level administrative regions in China. We also expanded our footprint into overseas markets such as Malaysia, the Philippines, Vietnam, Singapore, Thailand, and Indonesia. We strategically select store locations in high-traffic commercial districts and shopping malls to maximize brand exposure and consumer accessibility. Our revenue generated from offline channel represent 72.1%, 66.3% and 64.2% of our total revenue during the Track Record Period, respectively. In parallel, we have built a robust online channel network, operating flagship stores on major e-commerce platforms such as Tmall and JD.com, as well as engaging in instant retail through platforms like Meituan. Our online channels serve as an important complement to our offline network, allowing us to reach a broader customer base, especially younger and consumers. Our revenue generated from online channel represented 15.7%, 21.9% and 21.0% of our total revenue during the Track Record Period, respectively.

By integrating online and offline channels, we have created a sales network that reinforces brand presence, enhances consumer engagement and supports sustainable growth. Our ability to maintain, optimize and strategically expand this multi-channel sales network will remain a critical factor in driving future revenue growth and shaping our overall financial performance.

Our Ability To Effectively Conduct Marketing and Branding Activities

The effectiveness of our marketing and branding activities is critical to our business growth and financial performance. We have adopted a comprehensive omni-channel marketing strategy, leveraging both online and offline resources to enhance brand awareness, strengthen consumer engagement and drive sales conversion. Our approach integrates traditional advertising, content-driven digital marketing, and targeted promotional campaigns across major e-commerce, social media and livestreaming platforms. We actively utilize short-video and livestreaming to amplify our brand presence and reach digitally native consumers. In addition, we implement membership programs, experiential in-store activities and cross-brand collaborations to deepen consumer loyalty and reinforce our brand image.

Our distribution and selling expenses amounted to RMB4,353.3 million, RMB4,841.3 million and RMB5,158.5 million for the years ended December 31, 2023, 2024 and 2025, respectively, representing 21.0%, 24.0% and 24.5% of our total revenue for the same years. The level and efficiency of our marketing and branding expenditures have a direct impact on our profitability. We continuously refine our marketing strategies and budget allocation based on market trends, consumer insights and campaign effectiveness, with the aim of maximizing return on investment and supporting sustainable business expansion. Our ability to conduct cost-effective and impactful marketing and branding activities will remain a key factor affecting our operational efficiency and overall financial results.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in details in Notes 3 to the Accountants' Report in Appendix I to this Document.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the years indicated:

	Year ended December 31,		
	2023	2024	2025
		(RMB'000)	
Revenue	20,754,362	20,162,102	21,061,683
Cost of sales	(11,379,500)	(10,984,826)	(11,527,962)
Gross profit	9,374,862	9,177,276	9,533,721
Other gains and losses, net	(11,559)	(153,611)	(232,885)

	Year ended December 31,		
	2023	2024	2025
		(RMB'000)	
Distribution and selling expenses	(4,353,303)	(4,841,332)	(5,158,527)
Administrative expenses	(996,364)	(1,057,354)	(1,062,294)
Research and development expenses	(200,337)	(288,132)	(212,006)
Share of result of associates	34,022	13,134	–
Finance costs	(223,416)	(62,715)	(61,638)
Profit before tax	3,623,905	2,787,266	2,806,371
Income tax expense	(705,470)	(598,253)	(674,373)
Profit for the year	2,918,435	2,189,013	2,131,998

Revenue

In 2023, 2024 and 2025, our total revenue amounted to RMB20,754.4 million, RMB20,162.1 million and RMB21,061.7 million, respectively.

Revenue by Business Lines

During the Track Record Period, we derived our revenue primarily from (i) proprietary brands, mainly including HLA, our corporate apparel customization business, YeeHoO (英氏) and other brands such as OVV and HEILAN HOME; and (ii) non-proprietary brands, mainly including international sports brand cooperations and urban outlets. The table below sets forth a breakdown of our revenue by business line as percentages of total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Proprietary Brands						
HLA	16,198,729	78.0	15,091,049	74.8	14,784,471	70.2
Corporate Apparel Customization Business	2,280,705	11.0	2,223,548	11.0	2,711,288	12.9
YeeHoO (英氏)	811,398	3.9	895,609	4.4	1,048,675	5.0
Other Brands(1)	1,406,995	6.8	819,594	4.2	583,129	2.7
Subtotal	**20,697,827**	**99.7**	**19,029,800**	**94.4**	**19,127,563**	**90.8**
Non-proprietary Brands						
International Sports Brand Cooperations	20,557	0.1	1,070,154	5.3	1,617,682	7.7
Urban Outlets	–	–	6,394	0.0	255,711	1.2
Others(2)	35,978	0.2	55,754	0.3	60,727	0.3
Subtotal	**56,535**	**0.3**	**1,132,302**	**5.6**	**1,934,120**	**9.2**
Total	**20,754,362**	**100.0**	**20,162,102**	**100.0**	**21,061,683**	**100.0**

Note:

(1) Other brands primarily include OVV and HEILAN HOME.

(2) Others primarily include EICHITOO (愛居兔), a womenswear brand for which we act as a distributor.

Proprietary Brands

Our proprietary brand business mainly comprises revenue generated from sales of products under our proprietary brands, primarily HLA, YeeHoO (英氏) and OVV, as well as corporate apparel customization business. For sales of products under our proprietary brands, revenue is derived from the sale of apparel and related products through our online and offline channels.

HLA contributed a majority of our revenue during the Track Record Period. In 2023, 2024 and 2025, revenue generated from HLA amounted to RMB16,198.7 million, RMB15,091.0 million and RMB14,784.5 million, respectively. Revenue generated from HLA declined by 6.8% from 2023 to 2024, primarily due to (i) a normalization in consumer spending following the post-pandemic rebound in 2023, with consumption becoming more rational in 2024; and (ii) customer sentiment being influenced by industry trends and changes in weather. The continued popularity of the athleisure trend and a contraction in demand for formal business attire resulted in a decline in sales of our trousers, suits, and shirts. Additionally, the warmer weather throughout 2024 led to slower growth in sales of higher-priced autumn and winter apparel. Revenue generated from HLA declined by 2.0% from 2024 to 2025, primarily due to our ongoing efforts in optimizing store layout in 2025, with a strategic focus on transitioning traditional street-side stores to those located at high-traffic, vibrant shopping malls, in line within evolving consumption pattern, which resulted in a relatively larger number of newly-opened stores that were in their ramp-up period.

YeeHoO (英氏) offers premium baby and kidswear. In 2023, 2024 and 2025, revenue generated from YeeHoO increased from RMB811.4 million to RMB895.6 million and further to RMB1,048.7 million, primarily due to stronger consumer recognition supported by YeeHoO's established positioning in the premium baby and kidswear market.

Our other proprietary brands mainly comprise revenue generated from OVV and HEILAN HOME, which amounted to RMB1,407.0 million, RMB819.6 million and RMB583.1 million in 2023, 2024 and 2025, respectively. Revenue for other proprietary brands declined by 41.7% from 2023 to 2024, primarily due to (i) a normalization in consumer spending following the post-pandemic rebound in 2023, with consumption becoming more rational in 2024; (ii) customer sentiment being influenced by industry trends and changes in weather; and (iii) the disposal of Heylads in 2023. Revenue for other proprietary brands declined by 28.9% from 2024 to 2025, primarily due to (i) our ongoing efforts in optimizing store layout in 2025; and (ii) a reduction in the number of stores for certain brands, primarily including HEILAN HOME, resulting in a further decrease in revenue.

Our corporate apparel customization business derives revenue from providing tailor-made professional attire and uniform solutions to corporate and institutional customers. In 2023, 2024 and 2025, our revenue generated from corporate apparel customization business amounted to RMB2,280.7 million, RMB2,223.5 million and RMB2,711.3 million, respectively.

Non-Proprietary Brands

Our business of non-proprietary brands mainly includes revenue from international sports brands and urban outlets. Our international sports brand cooperations mainly include our partnerships with Adidas and HEAD. Under cooperation with Adidas, we operate the Adidas FCC Stores and manage procurement and retail operations, generating revenue from product sales. We have also entered into a trademark license agreement with HEAD, under which we hold a nontransferable, non-exclusive license to plan, design, source, market and sell HEAD-branded apparel in China, generating revenue from the sale of HEAD-branded products. In 2022, our international sports brand cooperation was at an early stage and focused mainly on HEAD, which laid a solid foundation for future development. In 2023, we commenced initial cooperation with Adidas, further diversifying our brand portfolio. The significant increase in international sports brand cooperation revenue in 2024 was primarily driven by our acquisition of Spoz in April 2024, with its financial results consolidated into our Group. In addition, in 2024, we launched our urban outlets retail model and opened our first urban outlet in Wuxi, Jiangsu, offering a curated selection of branded products at competitive prices that cater to evolving consumer preferences. As a relatively new business line, in 2023, 2024 and 2025, our revenue generated from non-proprietary brands accounted for 0.3%, 5.6% and 9.2% of our revenue, respectively.

Revenue by Geographical Region

During the Track Record Period, we generated revenue from both Chinese mainland and overseas markets. The table below sets forth a breakdown of our revenue by geographical region both in absolute amounts and as percentages of total revenue for the years indicated:

	Year ended December 31,					
	2023		**2024**		**2025**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Chinese Mainland	20,482,773	98.7	19,806,997	98.2	20,608,228	97.8
Overseas[1]	271,589	1.3	355,105	1.8	453,455	2.2
Total	**20,754,362**	**100.0**	**20,162,102**	**100.0**	**21,061,683**	**100.0**

Note:

(1) Overseas primarily include revenue generated from the sales of our directly-operated stores in Malaysia, the Philippines, Vietnam, Singapore, Thailand and Indonesia.

Chinese Mainland

Our revenue from Chinese mainland consistently accounted for the vast majority of our total revenue during the Track Record Period. Domestic revenue decreased from RMB20,482.8 million in 2023 to RMB19,807.0 million in 2024, primarily due to (i) a normalization in consumer spending following the post-pandemic rebound in 2023, with consumption becoming more rational in 2024; (ii) customer sentiment being influenced by industry trends and changes in weather. The continued popularity of the athleisure trend and a contraction in demand for formal business attire resulted in a decline in sales of our trousers, suits, and shirts. Additionally, the warmer weather throughout 2024 led to slower growth in sales of higher-priced autumn and winter apparel; and (iii) the disposal of Heylads. Domestic revenue increased from RMB19,807.0 million in 2024 to RMB20,608.2 million in 2025, primarily due to (i) an increase in revenue from international sports brands as a result of the growth of the market for athletic apparel and our strategic efforts in developing this business line, which resulted in increased sales of products; and (ii) an increase in revenue from corporate apparel customization business due to a rise in demand for customized products such as workwear and school uniforms.

Overseas

Our overseas revenue, while representing a smaller portion of our total revenue, has demonstrated steady growth throughout the Track Record Period. Our overseas revenue increased from RMB271.6 million in 2023 to RMB355.1 million in 2024, and further increased to RMB453.5 million in 2025, primarily due to the ongoing store expansion in the overseas markets including Malaysia, the Philippines, Vietnam, Singapore, Thailand, and Indonesia.

Revenue by Sales Channel

During the Track Record Period, we sold our products through online and offline channels. The table below sets forth a breakdown of our revenue by sales channel both in absolute amounts and as percentages of total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Offline Channel						
Sales to store partners	9,436,690	45.5	7,628,054	37.9	6,824,759	32.5
Directly-operated stores	5,401,835	26.0	5,594,842	27.7	6,534,012	31.0
Sales to distributors	122,873	0.6	139,399	0.7	155,831	0.7
Subtotal	**14,961,398**	**72.1**	**13,362,295**	**66.3**	**13,514,602**	**64.2**
Online Channel						
Online direct sales	2,470,697	11.9	2,876,916	14.3	2,746,065	13.0
Sales to online retailers	787,433	3.8	1,542,228	7.6	1,688,603	8.0
Subtotal	**3,258,130**	**15.7**	**4,419,144**	**21.9**	**4,434,668**	**21.0**
Corporate Apparel Customization Channel	2,280,705	11.0	2,223,548	11.0	2,711,288	12.9
Others[(1)]	254,129	1.2	157,115	0.8	401,125	1.9
Total	**20,754,362**	**100.0**	**20,162,102**	**100.0**	**21,061,683**	**100.0**

Notes:

(1) Primarily consists of sporadic sales of a small amount of products through wholesale.

Offline Channel

Our offline channels, which include sales to store partners, directly-operated stores, and sales to distributors, have remained the primary source of revenue throughout the Track Record Period. Revenue generated from offline channel declined from RMB14,961.4 million in 2023 to RMB13,362.3 million in 2024, primarily because the recovery in consumer demand was weaker than expected and the number of partner stores decreased. However, revenue from directly-operated stores continued to rise, supported by ongoing store expansion. Sales to distributors increased, driven by the growth in distributor stores and strong performance of YeeHoO (英氏) in the premium infant and toddler market. Revenue generated from offline channel remained relatively stable at RMB13,362.3 million in 2024 and RMB13,514.6 million in 2025.

Online Channel

Our online channels have become an increasingly important part of our sales mix. Revenue generated from online channel increased from RMB3,258.1 million in 2023 to RMB4,419.1 million in 2024, and further increased to RMB4,434.7 million in 2025, primarily due to a continued trend of consumer habits shifting from offline to online shopping, which is further supported by the ongoing development of our online channels as we strategically expanded our presence across traditional e-commerce platforms, as well as our online sales promotion, together leading to increased GMV through our online channel.

Corporate Apparel Customization Channel

The corporate apparel customization channel has remained a stable contributor to our overall revenue during the Track Record Period. Revenue generated from corporate apparel customization channel remained relatively stable in 2023 and 2024, amounting to RMB2,280.7 million and RMB2,223.5 million, reflecting steady demand for customized corporate apparel. Revenue generated from corporate apparel customization channel increased from RMB2,223.5 million in 2024 to RMB2,711.3 million in 2025, primarily due to the increased demand in corporate apparel customization business and ongoing demand from corporate clients.

Cost of Sales

Cost of Sales by Nature

Our cost of sales mainly includes the (i) cost of finished apparel procurement, which represents the cost for purchase of finished apparel product from our suppliers; and (ii) production cost, which mainly represents the cost for purchase of raw materials and labor cost for production of apparel. The following table sets forth a breakdown of our cost of sales by nature both in absolute amounts and as percentages of total cost of sales for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Cost of finished apparel procurement	9,884,069	86.9	9,322,039	84.9	9,727,499	84.4
Production cost	981,341	8.6	1,061,646	9.7	1,254,274	10.9
Warehousing and transportation cost	369,898	3.3	489,389	4.5	416,763	3.6
Tax cost[(1)]	144,192	1.2	111,752	0.9	129,426	1.1
Total	**11,379,500**	**100.0**	**10,984,826**	**100.0**	**11,527,962**	**100.0**

Note:

(1) Tax cost represents value-added tax surcharges that are recognized as part of cost of sales in accordance with HKFRS.

Cost of Sales by Business Lines

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

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Proprietary Brands						
HLA	9,010,947	79.2	8,168,911	74.3	7,726,553	66.9
Corporate Apparel Customization Business	1,228,802	10.8	1,339,317	12.2	1,688,990	14.7
YeeHoO (英氏)	381,020	3.3	409,489	3.7	495,512	4.3
Other Brands[(1)]	734,246	6.5	339,456	3.1	329,045	2.9
Subtotal	**11,355,015**	**99.8**	**10,257,173**	**93.3**	**10,240,100**	**88.8**
Non-proprietary Brands						
International Sports Brand Cooperations	14,443	0.1	710,255	6.5	1,132,734	9.8
Urban Outlets	–	–	685	0.0	134,950	1.2
Others[(2)]	10,042	0.1	16,713	0.2	20,178	0.2
Subtotal	**24,485**	**0.2**	**727,653**	**6.7**	**1,287,862**	**11.2**
Total	**11,379,500**	**100.0**	**10,984,826**	**100.0**	**11,527,962**	**100.0**

Note:

(1) Other brands primarily include OVV and HEILAN HOME.

(2) Others primarily include EICHITOO (愛居兔), a womenswear brand for which we act as a distributor.

Gross Profit and Gross Profit Margin

Gross Profit and Gross Profit Margin by Business Lines

Gross profit margins vary across business lines due to differences in business model, consumer group, market dynamics, cost structures and competitive positioning. The following table sets forth a breakdown of gross profit and gross profit margin by business line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB'000, except for percentages)					
Proprietary Brands						
HLA	7,187,782	44.4	6,922,138	45.9	7,057,918	47.7
Corporate Apparel Customization Business	1,051,903	46.1	884,231	39.8	1,022,298	37.7
YeeHoO (英氏)	430,378	53.0	486,120	54.3	553,163	52.7
Other Brands[(1)]	672,749	47.8	480,138	58.6	254,084	43.6
Subtotal	**9,342,812**	**45.1**	**8,772,627**	**46.1**	**8,887,463**	**46.5**
Non-proprietary Brands						
International Sports Brand Cooperations	6,114	29.7	359,899	33.6	484,948	30.0
Urban Outlets	–	–	5,709	89.3	120,761	47.2
Others[(2)]	25,936	72.1	39,041	70.0	40,549	66.8
Subtotal	**32,050**	**56.7**	**404,649**	**35.7**	**646,258**	**33.4**
Total	**9,374,862**	**45.2**	**9,177,276**	**45.5**	**9,533,721**	**45.3**

Note:

(1) Other brands primarily include OVV and HEILAN HOME.

(2) Others primarily include EICHITOO (愛居兔), a womenswear brand for which we act as a distributor.

Gross Profit and Gross Profit Margin by Geographical Region

The table below sets forth a breakdown of our gross profit and gross profit margin by geographical region for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB'000, except for percentages)					
Chinese Mainland	9,189,663	44.9	8,937,306	45.1	9,236,743	44.8
Overseas[(1)]	185,199	68.2	239,970	67.6	296,978	65.5
Total	**9,374,862**	**45.2**	**9,177,276**	**45.5**	**9,533,721**	**45.3**

Note:

(1) Overseas primarily include gross profit generated from the sales of our directly-operated stores in Malaysia, Philippines, Vietnam, Singapore, Thailand and Indonesia.

Our gross profit margin in Chinese mainland remained relatively stable during the Track Record Period, being 44.9% in 2023, 45.1% in 2024 and 44.8% in 2025. Our gross profit margin in overseas markets remained relatively stable, being 68.2% in 2023, 67.6% in 2024 and 65.5% in 2025. Building on our established market leadership in China and strong brand equity recognized by consumers, we have gained a foothold in overseas markets through our 142 directly-operated stores abroad as of December 31, 2025, which typically yield higher gross profit margins compared to other store models.

Other Gains and Losses, Net

Our other losses mainly arise from provision for inventories, which are made for inventories subject to non-returnable arrangements with suppliers based on inventory aging analysis. Our other gains mainly arise from (i) interest income on bank deposits; (ii) net other business income, which mainly comprises (a) sales of store props to our store partners in order to maintain a consistent store image across our sales network and (b) rental income derived from property leasing; (iii) government subsidies from government authorities; and (iv) gain on remeasurement of interest in an associate, which represents the gains derived from the acquisition of Spoz. The following table sets out a breakdown of our net other gains and losses both in absolute amounts for the years indicated:

	Year ended December 31,		
	2023	2024	2025
		(RMB'000)	
Provision for inventories	(333,106)	(492,797)	(495,024)
Interest income on bank deposits	197,397	255,166	241,372
Other business income, net	48,716	35,481	37,777
Government subsidies	20,892	24,092	31,528
Gain on remeasurement of interest in an associate	–	112,843	–
Impairment losses recognized in respect of:			
– Goodwill	–	(75,830)	(69,383)
– Intangible assets	(119,342)	–	(1,176)
Liquidated damages income	7,960	2,210	1,568
Net (loss)/gain on disposal of:			
– Property, plant and equipment	633	(20,328)	341
– Subsidiaries	151,937	–	–
Fair value gain on financial asset at FVTPL	(2,902)	34,115	17,664
Impairment losses under ECL model, net of reversal			
– Trade receivables	8,680	(9,388)	(10,064)
– Other receivables	(13,038)	(28,598)	(15,743)
Loss on foreign exchange, net	(4,008)	(7,806)	(4,765)
Others	24,622	17,229	33,020
Total	**(11,559)**	**(153,611)**	**(232,885)**

Distribution and Selling Expenses

Our distribution and selling expenses mainly consisted of (i) salaries and benefits, representing salaries and bonuses in relation to our sales personnel; (ii) rental fees, representing the lease expense of our directly-operated stores; and (iii) store and online shop operating expenses, mainly representing office supplies, consumables for daily operations, and online traffic acquisition costs. In 2023, 2024 and 2025, our distribution and selling expenses amounted to RMB4,353.3 million, RMB4,841.3 million and RMB5,158.5 million, respectively, which accounted for 21.0%, 24.0% and 24.5% of our total revenue for the same years, respectively. The following table sets forth a breakdown of our distribution and selling expenses by nature both in absolute amounts and as percentages of total distribution and selling expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Salaries and benefits	1,442,379	33.1	1,484,990	30.8	1,769,544	34.3
Rental fees	863,680	19.8	1,133,896	23.4	1,153,024	22.4
Store and online shop operating expenses	884,246	20.3	930,440	19.2	1,038,705	20.1
Advertising expenses	457,212	10.5	489,166	10.1	458,235	8.9
Renovation and fixture expenses	223,057	5.1	229,179	4.7	229,384	4.4
Outsourced marketing expenses	242,608	5.6	324,997	6.7	251,213	4.9
Travel expenses	121,289	2.8	105,335	2.2	108,209	2.1
Office expenses	24,741	0.6	30,214	0.6	29,444	0.6
Others	94,091	2.2	113,115	2.3	120,769	2.3
Total	**4,353,303**	**100.0**	**4,841,332**	**100.0**	**5,158,527**	**100.0**

Administrative Expenses

Our administrative expenses primarily consisted of (i) salaries and benefits, representing salaries and bonuses in relation to our administrative personnel; (ii) depreciation and amortization in respect of office premises; and (iii) office expenses, mainly including office rent, utilities and renovation expenses. In 2023, 2024 and 2025, our administrative expenses amounted to RMB996.4 million, RMB1,057.4 million and RMB1,062.3 million, respectively, which accounted for 4.8%, 5.2% and 5.0% of our total revenue for the same years, respectively. The following table sets forth a breakdown of our administrative expenses by nature both in absolute amounts and as percentages of total administrative expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Salaries and benefits	313,959	31.5	347,709	32.9	338,091	31.8
Depreciation and amortization	317,235	31.8	304,441	28.8	304,687	28.7
Office expenses	227,460	22.8	268,397	25.4	297,641	28.0
Banking service fees	16,719	1.7	9,734	0.9	15,583	1.5
Testing expenses	17,475	1.8	18,667	1.8	16,923	1.6
Professional Intermediary Service Fees	15,466	1.6	16,721	1.6	15,620	1.5
Donation	7,867	0.8	2,204	0.2	3,944	0.4
Others[(1)]	80,183	8.0	89,481	8.4	69,805	6.5
Total	**996,364**	**100.0**	**1,057,354**	**100.0**	**1,062,294**	**100.0**

Note:

(1) Others primarily include renovation expenses, business entertainment expenses, utilities expenses and technical service fees.

Research and Development Expenses

Our research and development expenses primarily consisted of (i) salaries and benefits, representing salaries and bonuses in relation to our R&D personnel; and (ii) information technology development expenses, representing expenses incurred for the development of our research and development systems. In 2023, 2024 and 2025, our research and development expenses amounted to RMB200.3 million, RMB288.1 million and RMB212.0 million, respectively, which accounted for 1.0%, 1.4% and 1.0% of our total revenue for the same years, respectively. The following table sets forth a breakdown of our research and development expenses by nature both in absolute amounts and as percentages of total research and development expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except for percentages)					
Salaries and benefits	151,000	75.4	151,907	52.7	166,439	78.5
Information technology development expenses	23,839	11.9	36,684	12.7	23,023	10.9
Depreciation and amortization	7,593	3.8	7,891	2.7	5,328	2.5
Direct materials consumed	2,086	1.0	1,100	0.4	3,209	1.5
Product technology research and development expenses	2,362	1.2	76,880	26.7	3,573	1.7
Travel expenses	3,571	1.8	3,138	1.1	3,343	1.6
Others	9,886	4.9	10,532	3.7	7,091	3.3
Total	**200,337**	**100.0**	**288,132**	**100.0**	**212,006**	**100.0**

Share of Results of Associates

Our share of results of associates represents profits or losses attributable to us from our investments in associates. We recorded share of profit of associates of RMB34.0 million, RMB13.1 million and nil in 2023, 2024 and 2025, respectively.

Finance Costs

Our finance costs consisted of interest on convertible bonds and interest on lease liabilities. In 2023, 2024 and 2025, our finance costs amounted to RMB223.4 million, RMB62.7 million and RMB61.6 million, respectively.

Income Tax Expense

Our income tax expenses mainly represented (i) current tax and (ii) deferred tax in accordance with the relevant laws and regulations in each tax jurisdiction we operate. In 2023, 2024 and 2025, our income tax expenses amounted to RMB705.5 million, RMB598.3 million and RMB674.4 million, respectively.

Chinese Mainland

Pursuant to the PRC EIT Law and the relevant regulations, the subsidiaries which operate in Chinese mainland are subject to an EIT rate of 25% on the taxable income.

In compliance with the Announcement on Preferential Corporate Income Tax Policies for Small and Low-Profit Enterprises and Individual Businesses (No. 6 [2023]) issued by the Ministry of Finance and the State Taxation Administration, eligible small and low-profit enterprises within our Group are entitled to reduced corporate income tax liabilities for the period from January 1, 2023 to December 31, 2027. For the portion of annual taxable income not exceeding RMB3 million, the applicable tax calculation method involves including 25% of the taxable income amount in the assessable base, which is then subject to a 20% tax rate.

Hong Kong

The subsidiaries incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

See Note 11 of the Accountants' Report in Appendix I to this Document for more information.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our total revenue increased by 4.5% from RMB20,162.1 million in 2024 to RMB21,061.7 million in 2025, primarily attributable (i) an increase in revenue from international sports brands as a result of the growth of the industry and our strategic efforts in developing this business line, which resulted in increased sales of products; and (ii) an increase in revenue from corporate apparel customization business due to a rise in demand for customized products such as workwear and school uniforms; partially offset by a decrease in revenue from HLA, primarily due to our ongoing efforts in optimizing store layout in 2025, with a strategic focus on transitioning traditional street-side stores to those located at high-traffic, vibrant shopping malls, in line within evolving consumption pattern, which resulted in a relatively larger number of newly-opened stores that were in their ramp-up period.

Cost of Sales

Our cost of sales increased by 4.9% from RMB10,984.8 million in 2024 to RMB11,528.0 million in 2025, primarily due to an increase in the cost of sales attributable to international sports brands, partially offset by a decrease in the cost of sales attributable to HLA, both are cost of finished apparel procurement in nature that corresponds with the respective change in revenue for each business line.

Gross Profit and Gross Profit Margin

Our gross profit increased by 3.9% from RMB9,177.3 million in 2024 to RMB9,533.7 million in 2025. Our gross profit margin remained relatively stable at 45.5% in 2024 and 45.3% in 2025. The decrease in overall gross profit margin was primarily attributable to (i) the decline in gross profit margin of corporate apparel customization business, as a result of heightened market competition and our effort to accommodate a broader range of customer needs as we expanded our business into workwear and school uniform segments; (ii) the decline in gross profit margin of international sports brand cooperations, primarily due to our intensified promotional efforts such as discounting strategy to remain our position in the competitive market; and (iii) the decline in gross profit margin of urban outlets, primarily due to the increased adoption of the distribution model, which generally yields a lower gross profit margin than the consignment model. The above is partially offset by the increase in gross profit margin of HLA, primarily attributable to the expansion of directly-operated stores, which typically generate higher gross profit margins.

Other Losses, Net

Our net other losses increased by 51.6% from RMB153.6 million in 2024 to RMB232.9 million in 2025, primarily attributable to the absence of a one-off gain of RMB112.8 million from the remeasurement of our equity interest in Spoz, which was recognized in 2024.

Distribution and Selling Expenses

Our distribution and selling expenses increased by 6.6% from RMB4,841.3 million in 2024 to RMB5,158.5 million in 2025, primarily due to an increase in salaries and benefits, rental fees and store and online shop operating expenses as a result of our continuing effort to expand our direct-operated stores network that resulted in an increase in the headcount of our sales employees.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB1,057.4 million in 2024 and RMB1,062.3 million in 2025.

Research and Development Expenses

Our research and development expenses decreased by 26.4% from RMB288.1 million in 2024 to RMB212.0 million in 2025, primarily due to a decrease in product technology research and development expenses, as we incurred higher expenses in 2024 for establishing R&D centers and innovative platforms in collaboration with Tsinghua University, Donghua University and the China Textile Academy.

Share of Results of Associates

Our share of results of associates changed from RMB13.1 million in 2024 to nil in 2025, primarily because Spoz and its subsidiaries were consolidated into our financial statements and were no longer accounted for as associates in 2025 due to our acquisition of it in 2024.

Finance Costs

Our finance costs remained relatively stable at RMB62.7 million in 2024 and RMB61.6 million in 2025.

Income Tax Expense

Our income tax expenses increased by 12.7% from RMB598.3 million in 2024 to RMB674.4 million in 2025, primarily because our one-off gain arising from the remeasurement of our equity interest in Spoz following our acquisition of it was treated as non-taxable income in 2024, resulting in a lower income tax expense in 2024.

Profit for the Year

As a result of the foregoing, our profit for the year remained relatively stable at RMB2,189.0 million in 2024 and RMB2,132.0 million in 2025.

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

Revenue

Our total revenue remained relatively stable at RMB20,754.4 million in 2023 and RMB20,162.1 million in 2024, primarily attributable to a decrease in revenue generated from business of proprietary brands due to (i) a normalization in consumer spending following the post-pandemic rebound in 2023, with consumption becoming more rational in 2024; (ii) customer sentiment being influenced by industry trends and changes in weather. The continued popularity of the athleisure trend and a contraction in demand for formal business attire resulted in a decline in sales of our trousers, suits, and shirts. Additionally, the warmer weather throughout 2024 led to slower growth in sales of higher-priced autumn and winter apparel; and (iii) the disposal of Heylads in 2023; partially offset by an increase in revenue from international sports brands as a result of the growth of the industry and our strategic efforts in developing this business line.

Cost of Sales

Our cost of sales remained relatively stable at RMB11,379.5 million in 2023 and RMB10,984.8 million in 2024, primarily due to a decrease in the cost of finished apparel procurement associated with HLA and other brands, which was in line with the decrease in revenue from these brands in 2024; partially offset by (i) an increase in the cost of finished apparel procurement for international sports brands in line with the increase in revenue, and (ii) an increase in the production costs mainly associated with our corporate apparel customization business, due to the launch of new products with lower gross profit margin.

Gross Profit and Gross Profit Margin

Our gross profit remained relatively stable at RMB9,374.9 million in 2023 and RMB9,177.3 million in 2024. Our gross profit margin remained relatively stable at 45.2% and 45.5% in 2023 and 2024, respectively. The increase in overall gross profit margin was primarily attributable to the expansion of directly-operated stores, which typically yield higher gross profit margins. This is partially offset by the decline in gross profit margin of corporate apparel customization business, primarily due to heightened market competition and our effort to accommodate a broader range of customer needs as we expanded our business into workwear and school uniform segments. Our urban outlets' relatively higher gross profit margin mainly results from the underlying commercial arrangements, pursuant to which we primarily adopted consignment model in 2024, under which we act as the consignee. Under consignment model, products are provided by brand owners or suppliers, and we do not control the goods prior to their transfer to customers. In such cases, we act as an agent and recognize revenue on a net basis, representing the commission or service fees to which we are entitled, thereby yielding a relatively higher gross profit margin. In addition to the consignment model, our urban outlets business also adopted an insignificant portion of distribution model in 2024, under which we act as the distributor. Under distribution model, we bear the risk of unsold inventory and control the goods prior to their transfer to customers. Accordingly, we act as the principal and recognize revenue and the related cost of sales on a gross basis.

Other Losses, Net

Our net other losses increased significantly from RMB11.6 million in 2023 to RMB153.6 million in 2024, primarily attributable to (i) an increase in provision for non-returnable inventories mainly for inventories from 2022 that remained unsold in 2024 based on inventory aging, where the sales in 2022 was curtailed by the COVID-related impacts and that in 2024 was affected by the relatively warmer weather in the fourth quarter of 2024 that curtailed the sales of winter clothes in that year; and (ii) the absence of a one-off gain of RMB151.9 million from the disposal of one of our previous subsidiary, Heylads, in 2023; partially offset by the gain on remeasurement of our equity interest in Spoz, in 2024.

Distribution and Selling Expenses

Our distribution and selling expenses increased by 11.2% from RMB4,353.3 million in 2023 to RMB4,841.3 million in 2024, primarily due to an increase in salaries, benefits and rental fees and store and online shop operating expenses as a result to our continuing effort to expand our direct-operated stores network. As a result of our efforts, we newly launched 759 directly-operated stores, and the overall number of our directly-operated stores increased by 364 in 2024, contributing to the increase in distribution and selling expenses.

Administrative Expenses

Our administrative expenses increased by 6.1% from RMB996.4 million in 2023 to RMB1,057.4 million in 2024, primarily due to (i) an increase in office expense as we completed the acquisition of Spoz and expanded our operations, resulting in increased cost in the course of daily operations; and (ii) an increase in salaries and benefits as the number of our administrative personnel increased after we acquired Spoz.

Research and Development Expenses

Our research and development expenses increased by 43.8% from RMB200.3 million in 2023 to RMB288.1 million in 2024, primarily due to an increase in product technology research and development expenses as a result of expenses incurred in establishing our R&D centers and innovative platforms in collaboration with Tsinghua University, Donghua University and the China Textile Academy to establish research centers and conduct research. These collaborations are aimed at enhancing our R&D capabilities in material and design for our apparel, including pattern and color research, and studies focused on traditional Chinese culture and apparel.

Share of Results of Associates

Our share of results of associates decreased from RMB34.0 million in 2023 to RMB13.1 million in 2024, primarily because Spoz and its subsidiaries were consolidated into our financial statements and were no longer accounted for as an associate during the period due to our acquisition in April 2024.

Finance Costs

Our finance costs decreased by 71.9% from RMB223.4 million in 2023 to RMB62.7 million in 2024, primarily due to a decrease of interest on convertible bonds following the conversion of our outstanding 2018 Convertible Bonds in 2024.

Income Tax Expense

Our income tax expenses decreased by 15.2% from RMB705.5 million in 2023 to RMB598.3 million in 2024, primarily due to a decrease in the profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 25.0% from RMB2,918.4 million in 2023 to RMB2,189.0 million in 2024.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Non-Current Assets/(Liabilities)

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

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Non-current assets			
Property, plant and equipment	3,265,545	3,261,578	3,120,671
Right-of-use assets	1,662,195	1,998,608	2,040,300
Investment properties	886,064	712,685	662,870
Goodwill	732,326	800,447	731,064
Intangible assets	377,167	323,391	254,528
Interests in associates	194,022	–	–
Financial assets at FVTPL	244,163	293,435	276,971
Equity instruments at FVTOCI	244,162	251,793	257,940
Deferred tax assets	542,498	657,873	683,492
Prepayment	55,631	46,734	28,651

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Time deposits	2,430,000	2,720,000	5,285,000
Total non-current assets	**10,633,773**	**11,066,544**	**13,341,487**
Non-current liabilities			
Deferred tax liabilities	84,468	66,571	83,155
Deposit received	169,130	130,260	89,520
Lease liabilities	653,279	691,270	686,567
Total non-current liabilities	**906,877**	**888,101**	**859,242**

Current Assets/(Liabilities)

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

	As of December 31,			As of March 31,
	2023	2024	2025	2026
				(unaudited)
		(RMB'000)		
Current assets				
Inventories	9,336,830	11,986,958	10,818,897	9,292,741
Trade and bills receivables	1,040,368	1,249,361	1,440,146	1,363,261
Prepayment and other receivables	1,196,829	1,437,393	1,282,987	1,313,412
Financial assets at FVTPL	365,042	305,100	129,430	126,500
Restricted bank deposits	22,700	21,611	19,145	14,901
Time deposits	3,230,000	2,590,000	230,000	1,250,000
Cash and cash equivalents	7,887,301	4,774,054	6,788,915	8,074,045
Total current assets	**23,079,070**	**22,364,477**	**20,709,520**	**21,434,860**
Current liabilities				
Trade and bills payable	10,053,022	11,196,804	10,890,487	9,815,519
Deposit received, accruals and other payables	2,137,206	1,978,075	2,006,437	1,890,797
Taxation payables	513,129	548,986	474,916	377,034
Convertible bonds	2,550,137	–	–	–
Contract liabilities	792,857	613,869	328,423	232,588
Lease liabilities	721,941	918,268	928,894	922,772
Total current liabilities	**16,768,292**	**15,256,002**	**14,629,157**	**13,238,710**
Net current assets	**6,310,778**	**7,108,475**	**6,080,363**	**8,196,150**

Our net current assets increased from RMB6,080.4 million as of December 31, 2025 to RMB8,196.2 million as of March 31, 2026, primarily attributable to (i) an increase in cash and cash equivalents due to collections from sales; (ii) an increase in time deposits primarily due to the reclassification of certain time deposits from non-current assets to current assets as their remaining maturities fell within 12 months as of March 31, 2026; and (iii) a decrease in trade and bills payable as a result of the settlement of outstanding balances to suppliers in the ordinary course of business; partially offset by the decrease in inventories as a result of sales of products.

Our net current assets decreased by 14.5% from RMB7,108.5 million as of December 31, 2024 to RMB6,080.4 million as of December 31, 2025, primarily attributable to (i) a decrease in time deposits upon maturity, and (ii) an decrease in inventories, as a result of our strategic adjustment to reduce inventory procurement in 2025 based on both sales performance in 2024 and assessment of future market environment, partially offset by the increase in cash and cash equivalents.

Our net current assets increased by 12.6% from RMB6,310.8 million as of December 31, 2023 to RMB7,108.5 million as of December 31, 2024, primarily attributable to (i) an increase in inventories due to the consolidation of inventories following the acquisition of Spoz; and (ii) a decrease in convertible bonds as a result of the conversion of our outstanding 2018 Convertible Bonds, partially offset by a decrease in cash and cash equivalents.

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of (i) buildings, (ii) specialized equipment and (iii) leasehold improvement. The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Buildings	2,378,351	2,372,664	2,235,239
Leasehold improvements	248,510	366,892	423,994
Specialized equipment	527,333	470,901	401,237
General equipment	37,076	48,495	53,821
Construction in progress	74,275	2,626	6,380
Total	**3,265,545**	**3,261,578**	**3,120,671**

Our property, plant and equipment remained relatively stable at RMB3,265.5 million as of December 31, 2023 and RMB3,261.6 million as of December 31, 2024. Our property, plant and equipment decreased by 4.3% from RMB3,261.6 million as of December 31, 2024 to RMB3,120.7 million as of December 31, 2025, primarily attributable to depreciation of buildings.

Investment Properties

Our investment properties comprised of buildings and land use rights. The following table sets out a breakdown of our investment properties as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Buildings	726,677	580,841	533,400
Land use rights	159,387	131,844	129,470
Total	**886,064**	**712,685**	**662,870**

Our investment properties decreased by 19.6% from RMB886.1 million as of December 31, 2023 to RMB712.7 million as of December 31, 2024 due to a decrease in buildings resulted from less buildings leased to third parties. Our investment properties decreased by 7.0% from RMB712.7 million as of December 31, 2024 to RMB662.9 million as of December 31, 2025, primarily due to a decrease in buildings resulting from depreciation charges.

Right-of-use Assets

Our right-of-use assets comprised of land use rights and leasehold buildings. The following table sets out a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Land use rights	310,969	324,304	311,825

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Leasehold buildings	1,351,226	1,674,304	1,728,475
Total	**1,662,195**	**1,998,608**	**2,040,300**

Our right-of-use assets increased by 20.2% from RMB1,662.2 million as of December 31, 2023 to RMB1,998.6 million as of December 31, 2024, and further increased by 2.1% to RMB2,040.3 million as of December 31, 2025, primarily due to an increase in leasehold buildings resulting from the expansion of directly-operated stores from 2,258 stores as of December 31, 2023 to 2,622 stores as of December 31, 2024 and subsequently to 2,981 stores as of December 31, 2025.

Goodwill

Our goodwill comprised of goodwill of YeeHoO and Spoz. The following table sets out a breakdown of our goodwill as of dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
YeeHoO (英氏)	732,326	656,496	587,113
Spoz	–	143,951	143,951
Total	**732,326**	**800,447**	**731,064**

Our goodwill increased by 9.3% from RMB732.3 million as of December 31, 2023 to RMB800.4 million as of December 31, 2024, primarily due to the recognition of goodwill of RMB144.0 million upon the acquisition of Spoz, which was partially offset by the recognition of goodwill impairment loss of RMB75.8 million of YeeHoO, because we adopted more conservative assumptions when forecasting future revenue and gross margin, influenced by (i) a contraction in the infant and child products market and (ii) reduced demand for higher-priced infant products, which led to lower projected cash flows. The recoverable amount is subsequently lower than the carrying amount, therefore we recognized goodwill impairment accordingly. Our goodwill decreased by 8.7% from RMB800.4 million as of December 31, 2024 to RMB731.1 million in 2025, primarily due to the recognition of goodwill impairment loss of RMB69.4 million of YeeHoO, for the same reasons discussed above.

For the purpose of impairment testing, goodwill has been allocated to the CGUs of YeeHoO (英氏) and Spoz, each representing the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of each CGU was determined based on value in use calculations using discounted cash flow projections derived from financial budgets approved by management.

For the YeeHoO (英氏) CGU, cash flow projections covered an eight year period as of December 31, 2023, 2024 and a five year period as of December 31, 2025, reflecting the need to capture the full cycle of cash flows of a relatively newly integrated business with a phased development plan, before shortening the projection period as operations stabilized. The pre-tax discount rates applied were 12.80%, 12.25% and 11.19% for 2023, 2024 and 2025, respectively, and budgeted sales growth rates ranged from 5.54% to 15.28%, 2.00% to 14.83% and 4.88% to 12.70%, respectively. Cash flows beyond the forecast period were extrapolated using a terminal growth rate that did not exceed the long-term average growth rate of the relevant industry. As of December 31, 2023, the recoverable amount exceeded the carrying amount by approximately RMB22.1 million, indicating limited headroom, and impairment losses of approximately RMB75.8 million and

RMB69.4 million were subsequently recognized in 2024 and 2025, respectively, following the adoption of more conservative assumptions. Sensitivity analysis indicates that the recoverable amount is sensitive to changes in key assumptions, and adverse changes, such as an increase in discount rates or a decrease in budgeted sales growth rates, would result in a reduction in recoverable amount and may lead to further impairment.

For the Spoz CGU, value in use calculations were based on five year cash flow projections for 2024 and 2025, with pre-tax discount rates of 15.66% and 14.49%, respectively, and budgeted sales growth rates ranging from 7.54% to 30.36% and 1.17% to 14.74%, respectively. No growth was assumed beyond the five-year projection period. The recoverable amount exceeded the carrying amount by approximately RMB532.2 million and RMB74.2 million as of December 31, 2024 and 2025, respectively, and no impairment was recognized during the Track Record Period. Sensitivity analysis indicates that, while sufficient headroom existed, such headroom would be reduced under adverse changes in key assumptions, and as of December 31, 2025, the recoverable amount would be equal to the carrying amount if the discount rate increased to 15.03% or the budgeted sales growth rate decreased by 4.05%, with other assumptions held constant.

For details about goodwill impairment testing, see Note 17 of Appendix I to this Document.

Intangible Assets

Our intangible assets primarily include software, trademarks and patents. The following table sets out a breakdown of our intangible assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Software	86,167	84,855	69,267
Trademark	290,845	237,345	184,209
Patent	155	1,191	1,052
Total	**377,167**	**323,391**	**254,528**

Our intangible assets decreased by 14.3% from RMB377.2 million as of December 31, 2023 to RMB323.4 million as of December 31, 2024, and further decreased by 21.3% from RMB323.4 million as of December 31, 2024 to RMB254.5 million as of December 31, 2025, primarily due to amortization of intangible assets.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily include unlisted wealth management products and unlisted equity securities, which represent our investments in entities incorporated in the PRC. The following table sets out a breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Listed equity securities	317	556	–
Unlisted wealth management products	364,725	304,544	129,430
Unlisted equity securities	244,163	293,435	276,971
Total	**609,205**	**598,535**	**406,401**

Our financial assets at FVTPL remained relatively stable at RMB609.2 million as of December 31, 2023 and RMB598.5 million as of December 31, 2024. Our financial assets at fair value through profit or loss decreased by 32.1% from RMB598.5 million as of December 31, 2024 to RMB406.4 million as of December 31, 2025, primarily due to the disposal of certain wealth management products.

We have established management systems that specify the approval procedure, information disclosure, authorization management, operation processes, supervision and risk control procedures of our wealth management activities, so as to standardize our financial product investments. We typically select wealth management products that offer a balanced profile of return and risk, while maintaining good liquidity. Adhering to prudent investment principles, we conduct investment activities with an aim to improve capital utilization efficiency and investment returns on cash assets. We have established a dedicated investment department which manages our wealth management portfolio and maintains daily oversight of our wealth management products, including ongoing performance monitoring and periodic reviews. In addition, we adhere to all applicable laws, regulations, and management policies regarding the proper disclosure of investment information. After [**REDACTED**], our investments in financial products will be subject to compliance with Chapter 14 of the Listing Rules.

Inventories

Our inventories primarily consisted of (i) finished goods, including returnable goods under returnable arrangements with suppliers, and non-returnable goods; and (ii) raw materials, mainly including store fixtures and fabrics and accessories used in apparel production. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Raw materials	322,126	289,706	262,884
Work in progress	42,288	44,519	38,734
Consigned materials for processing	11,389	11,948	15,245
Finished goods	8,945,970	11,613,903	10,444,495
– Returnable goods	7,204,534	8,271,365	7,689,976
– Non-returnable goods	1,741,436	3,342,538	2,754,519
Others	15,057	26,882	57,539
Total	**9,336,830**	**11,986,958**	**10,818,897**

Our inventories increased by 28.4% from RMB9,336.8 million as of December 31, 2023 to RMB11,987.0 million as of December 31, 2024, primarily due to (i) the consolidation of inventories following the acquisition of Spoz; and (ii) a decrease in sales volume in 2024 that resulted in more inventories in stock. Our inventories decreased by 9.7% from RMB11,987.0 million as of December 31, 2024 to RMB10,818.9 million as of December 31, 2025, primarily due to our strategic adjustment to reduce inventory procurement in 2025 based on both sales performance in 2024 and assessment of future market environment.

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

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Within one year	4,686,309	7,297,171	5,970,745
One to two years	3,848,317	4,174,554	4,038,566

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Over two years	802,204	515,233	809,586
Total	**9,336,830**	**11,986,958**	**10,818,897**

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

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days[(1)]	326	379	390

Note:

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

Our inventory turnover days increased from 326 days in 2023 to 379 days in 2024, primarily due to lower sales volume in 2024 as compared to the previous year and the acquisition of Spoz, which resulted in higher inventory levels. Our inventory turnover days remained relatively stable at 379 days in 2024 and 390 days in 2025.

We recorded inventory aging of up to one year and relatively long inventory turnover days during the Track Record Period, primarily due to (i) products of our core proprietary brand, HLA, are mainly designed and merchandised based on a selling cycle that typically spans the same selling periods over two consecutive years, which requires advance preparation and stocking of products ahead of each selling season, resulting in inventories being held across multiple seasons; (ii) menswear products generally exhibit slower fashion turnover and longer product relevance as compared to certain other apparel categories, which allows such products to maintain a positive selling prospects over a longer period and supports a higher level of inventory being held; (iii) we operate a large and geographically diversified offline retail network, and inventories are prepared and allocated across a substantial number of stores to ensure product availability and timely replenishment, which further lengthens the overall inventory holding and turnover cycle; (iv) a majority of our inventories are subject to returnable procurement arrangements, we are able to maintain relatively higher inventory levels as unsold products may be returned to suppliers and therefore do not expose us to the same level of inventory risk as non-returnable inventories; and (v) for our sales to store partners, we do not recognize cost of sales until products are sold to end customers, and accordingly, products delivered to store partners remain recognized as inventories until sell-through to end customers, whereas certain other apparel companies may already recognize cost of sales upon delivery to store partners, and such different accounting treatment contributes to comparatively longer inventory aging and turnover days.

We continuously monitor our inventory levels and working capital position and have implemented measures to manage our cash conversion cycle, including prioritizing the utilization of long-aged inventories where appropriate, exercising prudent control over new purchases by taking into account existing inventory levels and seasonal demand and shortening replenishment cycles by improving supply chain responsiveness and lead time management. We also actively manage trade receivables and payables, including regular monitoring of collections and negotiating suitable credit terms with suppliers, and leveraging our returnable arrangements, whereby payments are generally made upon sales to end customers, which minimizes upfront cash outflows and reduces working capital occupation. The above measures allow us to better align cash inflows and outflows and maintain sufficient liquidity to support our operations, while managing inventory turnover and working capital efficiency.

As of March 31, 2026, RMB4,021.4 million, or 34.2% of inventories as of December 31, 2025, had been used, consumed, returned or sold subsequent to December 31, 2025.

Our Directors are of the view that there is no material impairment issue in respect of our inventories, on the basis that (i) a substantial portion of our inventories is subject to returnable arrangements under our procurement contracts, under which unsold goods may be returned to suppliers in accordance with agreed terms. Inventories procured under returnable arrangements are not subject to inventory impairment, so we do not bear the corresponding impairment risk; (ii) for inventory items that are not eligible for return, adequate provisions for inventory impairment have been made in accordance with applicable accounting standards; (iii) most of our inventories comprise non-perishable materials and menswear products typically have relatively long product lifecycles and slower obsolescence; and (iv) we have implemented an ERP system to enhance end-to-end visibility across our supply chain and optimize replenishment and inventory management, enabling more accurate demand tracking, faster inventory turnover and more effective utilization of slow moving items, further mitigating the risk of inventory overhang. We recognized inventory impairment of RMB333.1 million, RMB492.8 million and RMB495.0 million in 2023, 2024 and 2025, respectively. We recorded inventory impairment balance of RMB634.8 million, RMB859.9 million and RMB941.6 million as of December 31, 2023, 2024 and 2025.

Trade and Bills Receivables

Our trade and bills receivables primarily represented the amounts due for our products. We recorded trade and bills receivables of RMB1,040.4 million, RMB1,249.4 million and RMB1,440.1 million as of December 31, 2023, 2024 and 2025, respectively. The following table sets out a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Trade receivables	1,059,528	1,292,835	1,472,590
Less: Allowance for credit loss	(54,404)	(67,520)	(77,577)
	1,005,124	1,225,315	1,395,013
Bills receivables at FVTOCI	35,244	24,046	45,133
Total	**1,040,368**	**1,249,361**	**1,440,146**

Our trade and bills receivables increased by 20.1% from RMB1,040.4 million as of December 31, 2023 to RMB1,249.4 million as of December 31, 2024, mainly attributed to an increase in trade receivables resulting from higher sales to business retailers through our online channel. Our trade and bills receivables increased by 15.3% from RMB1,249.4 million as of December 31, 2024 to RMB1,440.1 million as of December 31, 2025, primarily due to an increase in trade receivables resulting from increased revenue from our corporate apparel customization business.

We typically receive upfront payment from direct sales customers and generally grant our corporate customers a credit period ranging from one month to one year. The following table sets out an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
0 to 3 months	964,853	1,010,103	1,094,431
4 to 6 months	13,890	58,992	176,810
7 to 12 months	68,889	172,990	159,450
More than one year	11,896	50,750	41,899
Total	**1,059,528**	**1,292,835**	**1,472,590**

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

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days(1)	20	21	24

Note:

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

Our trade receivables turnover days remained relatively stable at 20 days in 2023 and 21 days in 2024. Our trade receivables turnover days increased to 24 days in 2025, primarily due to an increase in trade receivables resulting from higher revenue generated from our corporate apparel customization business.

Our Directors consider that we do not anticipate any material recoverability issues with the trade receivables, primarily due to: (i) our trade receivables are typically derived from reputable large customers, and we usually cooperate with them on a recurring basis, being familiar with their credit profiles and business performance; (ii) trade receivables aged over three months account for relatively small portions of our trade receivables as of the years ended December 31, 2023, 2024, and 2025, namely 8.9%, 21.9% and 25.7%, respectively; and (iii) we have made sufficient trade receivables provision in the Track Record Period.

As of March 31, 2026, RMB947.1 million, or 64.3% of our trade receivables as of December 31, 2025, had been settled subsequent to December 31, 2025.

Prepayment and Other Receivables

Our prepayment and other receivables consist of (i) prepayment, which represented prepayments to suppliers for finished apparel procurement and prepayments for online promotion services and (ii) other receivables, which mainly includes rental deposits for our directly-operated stores. We recorded prepayment and other receivables of RMB1,252.5 million, RMB1,484.1 million and RMB1,311.6 million as of December 31, 2023, 2024 and 2025, respectively. The following table sets out a breakdown of our prepayment and other receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Prepayment	576,597	771,373	625,084
Other receivable:			
Deposits	336,593	384,826	428,118
Interest receivable	270,408	153,150	126,799
Others	148,758	284,136	257,363
	755,759	822,112	812,280
Less: Allowance for credit loss	(79,896)	(109,358)	(125,726)
Other receivable, net	675,863	712,754	686,554
Total	**1,252,460**	**1,484,127**	**1,311,638**

Our prepayments and other receivables increased by 18.5% from RMB1,252.5 million as of December 31, 2023 to RMB1,484.1 million as of December 31, 2024, mainly attributed to an (i) increase in prepayment as a result of higher deductible input VAT; and (ii) an increase in others which represents higher supplier business support payments. Our prepayments and other receivables decreased by 11.6% from RMB1,484.1 million as of December 31, 2024 to RMB1,311.6 million as of December 31, 2025, primarily due to a decrease in prepayments, as the deductible input VAT was higher in 2024.

As of March 31, 2026, RMB399.2 million, or 30.4% of our prepayment and other receivables as of December 31, 2025, had been settled subsequent to December 31, 2025.

Trade and Bills Payables

Our trade and bills payables primarily consist of trade payables which represent payment for purchases of finished apparel. We recorded trade and bills payables of RMB10,053.0 million, RMB11,196.8 million and RMB10,890.5 million as of December 31, 2023, 2024 and 2025, respectively. The following table sets out a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Trade payables	8,736,812	9,955,134	9,471,254
Bills payables	1,316,210	1,241,670	1,419,233
Total	**10,053,022**	**11,196,804**	**10,890,487**

Our trade and bills payables increased by 11.4% from RMB10,053.0 million as of December 31, 2023 to RMB11,196.8 million as of December 31, 2024, primarily attributable to an increase in returnable inventories. Our trade and bills payables remained relatively stable at RMB11,196.8 million as of December 31, 2024 and RMB10,890.5 million as of December 31, 2025.

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

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Within one year	7,839,713	8,963,182	8,701,815
More than one year	897,099	991,952	769,439
Total	**8,736,812**	**9,955,134**	**9,471,254**

Our trade payables for non-returnable goods are normally settled within 30 days to 90 days. For returnable goods under returnable arrangements with suppliers, we normally settle payments with suppliers after product sell-through. The following table sets forth our trade payables turnover days during the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days[(1)]	269	311	308

Note:

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

Our trade payables turnover days increased from 269 days in 2023 to 311 days in 2024, primarily due to the increase in trade payables attributable to the increased returnable inventories, as a result of a decrease in sales volume in 2024. Under such returnable procurement arrangement, settlements with suppliers are generally made based on actual sell-through, resulting in a longer settlement cycle and contributed to the increase in trade payables turnover days. Our trade payables turnover days remained relatively stable at 311 days in 2024 and 308 days in 2025.

As of March 31, 2026, RMB4,180.7 million, or 44.1% of our trade payables as of December 31, 2025, had been settled subsequent to December 31, 2025.

Deposit Received, Accruals and Other Payables

Our deposit received, accruals and other payables primarily consist of (i) receipt on behalf of store partners, representing payments for goods received by us from customers prior to remittance to the respective store partners; and (ii) employee benefits payable. The following table sets out a breakdown of our deposit received, accruals and other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Receipt on behalf of store partners	1,105,442	866,995	824,745
Employee benefits payable	538,837	505,410	585,560
Other tax payables	277,857	322,389	264,941
Deposit received	189,030	186,010	164,640
Refund liabilities – Arising from right of return	26,743	43,862	45,928
Other payables	168,427	183,669	210,143
Total	**2,306,336**	**2,108,335**	**2,095,957**

Our deposit received, accruals and other payables decreased by 8.6% from RMB2,306.3 million as of December 31, 2023 to RMB2,108.3 million as of December 31, 2024, primarily due to a decrease in receipt on behalf of store partners in line with the decreased sales in 2024. Our deposit received, accruals and other payables remained relatively stable at RMB2,108.3 million as of December 31, 2024 and RMB2,096.0 million as of December 31, 2025.

As of March 31, 2026, RMB1,239.1 million, or 59.1% of our deposit received, accruals and other payables as of December 31, 2025, had been settled subsequent to December 31, 2025.

Contract Liabilities

Our contract liabilities primarily represented (i) advance from corporate apparel customization customers, which refers to cash received in advance for goods to be delivered; and (ii) customer royalty programme, which represent loyalty points granted to members redeemable for future purchases. The following table sets out a breakdown of our contract liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB'000)	
Advance from customers	727,268	566,988	298,288
Customer royalty programme	65,589	46,881	30,135
Total	**792,857**	**613,869**	**328,423**

Our contract liabilities decreased by 22.6% from RMB792.9 million as of December 31, 2023 to RMB613.9 million as of December 31, 2024, and further decreased by 46.5% to RMB328.4 million as of December 31, 2025, primarily due to a continuous decline in prepaid revenue as customers shifted from advance payments to payments on credit in line with their preference.

As of March 31, 2026, RMB223.4 million, or 68.0% of our contract liabilities as of December 31, 2025, had been recognized as revenue subsequent to December 31, 2025.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

As of December 31, 2023, 2024, 2025 and March 31, 2026, we had cash and cash equivalents of RMB7,887.3 million, RMB4,774.1 million, RMB6,788.9 million and RMB8,074.0 million, respectively. Taking into account the net [**REDACTED**] from the [**REDACTED**] and the financial resources available to us, including our cash and cash equivalents, and cash flows from operating activities, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this Document.

Cash Flow

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

	Year ended December 31,		
	2023	2024	2025
		(RMB'000)	
Net cash generated from operating activities	5,100,481	1,812,854	4,183,165
Net cash generated/from (used in) investing activities	(764,164)	(67,415)	(140,498)
Net cash used in financing activities	(3,230,632)	(4,862,107)	(2,023,959)
Net increase/(decrease) in cash and cash equivalents	1,105,685	(3,116,668)	2,018,708
Cash and cash equivalents at the beginning of the year	6,787,598	7,887,301	4,774,054
Effect of foreign exchange rate changes	(5,982)	3,421	(3,847)
Cash and cash equivalents at the end of the year	**7,887,301**	**4,774,054**	**6,788,915**

Net Cash Generated from Operating Activities

In 2025, our net cash generated from operating activities was RMB4,183.2 million, reflecting our profit before tax from continuing operations of RMB2,806.4 million, adjustments of non-cash and non-operating items and movements in working capital and income tax paid of RMB759.0 million. Adjustments of non-cash and non-operating items primarily comprised depreciation of right-of-use assets of RMB1,044.9 million, depreciation of property, plant and equipment of RMB523.0 million, and impairment for inventories of RMB495.0 million, partially offset by interest income of RMB241.4 million and fair value change on financial instruments at fair value through profit or loss of RMB17.7 million. Our movements in working capital primarily comprised change in inventories of RMB673.0 million, partially offset by change in contract liabilities of RMB285.4 million and change in trade and other payables of RMB279.6 million.

In 2024, our net cash generated from operating activities was RMB1,812.9 million, reflecting our profit before tax from continuing operations of RMB2,787.3 million, adjustments of non-cash and non-operating items, movements in working capital and income tax paid of RMB681.8 million. Adjustments of non-cash and non-operating items primarily comprised depreciation of right-of-use assets of RMB937.1 million, impairment for inventories of RMB492.8 million and depreciation of property, plant and equipment of RMB470.8 million, partially offset by interest income of RMB255.2 million and fair value gain on acquisition of a subsidiary of RMB112.8 million. Our movements in working capital primarily comprised change in trade and other payables of RMB940.2 million, partially offset by change in inventories of RMB2,431.5 million.

In 2023, our net cash generated from operating activities of RMB5,100.5 million, reflecting our profit before tax from continuing operations of RMB3,623.9 million, adjustments of non-cash and non-operating items, movements in working capital and income tax paid of RMB923.6 million. Adjustments of non-cash and non-operating items primarily comprised depreciation of right-of-use assets of RMB831.7 million, depreciation of property, plant and equipment of RMB486.1 million and impairment for inventories of RMB333.1 million, partially offset by interest income of RMB197.4 million and disposal gain of subsidiaries of RMB151.9 million. Our movements in working capital primarily comprised change in trade and other payables of RMB1,054.6 million, partially offset by change in inventories of RMB504.0 million and change in contract liabilities of RMB203.8 million.

Net Cash Used in Investing Activities

In 2025, our net cash used in investing activities was RMB140.5 million, primarily attributable to (i) placement of time/restricted bank deposits of RMB2,801.1 million, and (ii) purchases of property, plant and equipment of RMB412.4 million, partially offset by withdrawal of time/restricted bank deposits of RMB2,598,5 million.

In 2024, our net cash used in investing activities was RMB67.4 million, which was primarily attributable to (i) placement of time/restricted bank deposits of RMB2,895.3 million and (ii) purchases of property, plant and equipment of RMB429.9 million, partially offset by withdrawal of time/restricted bank deposits of RMB3,246.4 million.

In 2023, our net cash used in investing activities was RMB764.2 million, primarily attributable to (i) purchases of property, plant and equipment of RMB547.7 million, and (ii) placement of time/restricted bank deposits of RMB514.1 million, partially offset by withdrawal of time/restricted bank deposits of RMB367.4 million and proceeds from disposal of subsidiaries of RMB283.7 million.

Net Cash Flows Used in Financing Activities

In 2025, our net cash used in financing activities was RMB2,024.0 million, which was primarily attributable to (i) repayment of lease liabilities of RMB1,136.5 million, and (ii) dividend paid of RMB864.5 million.

In 2024, our net cash used in financing activities was RMB4,862.1 million, which was primarily attributable to (i) dividend paid of RMB3,794.2 million and (ii) repayment of lease liabilities of RMB1,069 million.

In 2023, our net cash used in financing activities was RMB3,230.6 million, which was primarily attributable to dividend paid of RMB1,857.4 million and (ii) repayment of lease liabilities of RMB912.1 million.

INDEBTEDNESS

As of December 31, 2023, 2024 and 2025 and March 31, 2026, our indebtedness included convertible bonds and lease liabilities. As of March 31, 2026, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB1,541.5 million and had no unutilized banking facilities. The following table sets out a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
				(unaudited)
		(RMB'000)		
Current				
Convertible bonds	2,550,137	–	–	–
Lease liabilities	721,941	918,268	928,894	922,772
Non-current				
Lease liabilities	653,279	691,270	686,567	618,718
Total	**3,925,357**	**1,609,538**	**1,615,461**	**1,541,490**

Lease Liabilities

As of December 31, 2023, 2024, 2025 and March 31, 2026, we had lease liabilities RMB1,375.2 million, RMB1,609.5 million, RMB1,615.5 million and RMB1,541.5 million, respectively, mainly representing the leased premises for our stores and offices. The continuous increase in our leased liabilities was primarily due to our business expansion and the opening of additional directly-operated stores, which required leasing more premises.

Convertible Bonds

During the Track Record Period, we had outstanding balances for the convertible corporate bonds we issued in 2018, and the convertible corporate bonds was subsequently converted to shares in 2024. See "History, Development and Corporate Structure — Major Shareholding Changes in our Company." As of December 31, 2023, 2024, 2025 and March 31, 2026, our outstanding balances for convertible bonds were RMB2,550.1 million, nil, nil and nil, respectively. See Note 39 of Appendix I to this Document.

Contingent Liabilities and Guarantees

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

No Other Outstanding Indebtedness

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of March 31, 2026, being our indebtedness statement date. We are not subject to any material covenants or undertakings relating to our outstanding debts, guarantees, pledges over key assets or other contingent obligations, and there were no breaches during the Track Record Period and up to the Latest Practicable Date. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness since March 31, 2026.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years indicated:

	As of December 31,		
	2023	2024	2025
Gross profit margin (%)(1)	45.2	45.5	45.3
Net profit margin (%)(2)	14.1	10.9	10.1
Return on equity (%)(3)	19.1	13.1	11.9
Current ratio(4)	1.4	1.5	1.4
Quick ratio(5)	0.8	0.7	0.7

Notes:

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

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

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

(4) Current ratio is calculated by dividing current assets by current liabilities.

(5) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

COMMITMENTS

As of December 31, 2023, 2024 and 2025, we did not have material capital commitments.

CAPITAL EXPENDITURES

Our capital expenditures consisted of purchases of property, plant and equipment, additions to other intangible assets, additions to right-of-use assets and additions to investment properties. Our capital expenditures in 2023, 2024 and 2025 were RMB579.8 million, RMB432.2 million, and RMB423.7 million, respectively.

The following table sets out our capital expenditures for the years indicated:

	Year ended December 31,		
	2023	2024	2025
		(RMB'000)	
Purchases of property, plant and equipment	547,654	429,878	412,408
Payments for right-of-use assets	29,838	613	–
Purchases of other intangible assets	2,279	1,753	11,315
Purchase of investment properties	–	–	–
Total	**579,771**	**432,244**	**423,723**

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

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 41 of Appendix I to this Document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

Our activities expose us to a variety of financial risks: market risk (including currency risk, interest rate risks, and price risk), credit risk, liquidity risk. See Note 39 of Appendix I to this Document.

DIVIDENDS AND DIVIDEND POLICY

Subject to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2023 Revision) (《上市公司監管指引第3號—上市公司現金分紅(2025年修訂)》), and Articles 155 through 158 of the Articles of Association, we are required to pay cumulative cash dividends of any three fiscal years that account for not less than 30% of our average net profits for those three fiscal years which are available for distribution, calculated in accordance with PRC GAAP. In addition, our Articles of Association also sets out a minimum annual cash dividend payout ratio of not less than 10% of the distributable profit for the year. Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant. Save as disclosed above, we do not have any other formal dividend policy or predetermined dividend payout ratio.

We declared and distributed a cash dividend of RMB5.6 (including tax) to all Shareholders for every ten shares in respect of the year ended December 31, 2023. We paid a total of approximately RMB2,689.6 million cash dividends in June 2024.

We declared and distributed a cash dividend of RMB2.3 (including tax) to all Shareholders for every ten shares in respect of the period ended June 30, 2024. We paid a total of approximately RMB1,104.6 million cash dividends in September 2024.

We declared and distributed a cash dividend of RMB1.8 (including tax) to all Shareholders for every ten shares in respect of the year ended December 31, 2024. We paid a total of approximately RMB864.5 million cash dividends in July 2025.

Subsequent to the end of the Track Record Period, we declared and distributed a cash dividend of RMB4.1 (including tax) to all Shareholders for every ten shares in respect of the year ended December 31, 2025. We paid a total of approximately RMB1,969.1 million cash dividends in May 2026.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had distributable reserves of RMB6,582.1 million.

[**REDACTED**] EXPENSE

[**REDACTED**] expenses represent professional fees, [**REDACTED**] and fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. Our [**REDACTED**] expenses are estimated to be approximately HK$[**REDACTED**] (including [**REDACTED**]) accounting for [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], assuming that an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the mid-point of the [**REDACTED**] stated in this Document) and no exercise of the [**REDACTED**]. Among our [**REDACTED**] expenses, approximately HK$[**REDACTED**] is directly attributable to the issuance of Shares and will be charged to equity upon the completion of the [**REDACTED**], and approximately HK$[**REDACTED**] has been or will be charged to our consolidated statements of profit or loss and other comprehensive income. The [**REDACTED**] expenses expect to incur would consist of approximately HK$[**REDACTED**] related expenses and fees, approximately HK$[**REDACTED**] non-[**REDACTED**]-related expenses and fees including fees for the legal advisers and reporting accountants and approximately HK$[**REDACTED**] for other non-[**REDACTED**]-related fees and expenses.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Appendix II — Unaudited [**REDACTED**] Financial Information."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end of the Track Record Period, and there is no event since December 31, 2025 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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