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You should read the following discussion and analysis in conjunction with our consolidated financial information in 2023, 2024 and 2025, the supplementary pre-acquisition financial information of Leyou Group for the period from January 1, 2023 to August 10, 2023, and the supplementary pre-acquisition financial information of Hairology Group for the period from January 1, 2023 to July 4, 2025 included in the Accountants’ Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial information and the supplementary pre-acquisition financial information of Leyou Group and Hairology Group has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” and “Business” in this document.

OVERVIEW

Our business primarily consists of the sale of maternal, infant and child products, the provision of child development and parenting services across all age groups, and the sale and provision of scalp and hair care products and services. Since our incorporation, we have attracted over 98 million registered members as of December 31, 2025, and our annual GMV exceeded RMB15.0 billion in 2025.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been adopted by our Group in the preparation for the historical financial information consistently throughout the Track Record Period. See Note 2 to the Accountants’ Report set out in Appendix I to this document for details. Our financial information during the Track Record Period has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss (“FVTPL”) which have been measured at fair value.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have primarily been affected by the general factors that impact the maternal, infant and child products and services and scalp and hair care markets in China, including, among others, overall economic trends and demographic dynamics. In addition to the general factors mentioned above, we believe our results of operations are more directly affected by the following specific factors:

Our Ability to Enrich Our Offerings and Manage Our Product and Service Mix

During the Track Record Period, the majority of our revenue was generated from our maternal, infant and child business. Revenue from this business line amounted to RMB7,886.7 million, RMB8,433.3 million and RMB8,929.5 million in 2023, 2024 and 2025, respectively, representing 90.1%, 90.3% and 86.9% of our total revenue during the same years. We believe that expanding a differentiated portfolio of maternal, infant and child products and services is critical to our business development. In July 2025, we acquired Hairology Group. This acquisition marked our entry into the scalp and hair care market and further diversified our

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offerings under this new business line. We expect our ability to enhance and enrich our product and service portfolio to have a material impact on our future revenue and profitability.

During the Track Record Period, changes in the gross profit margins of our maternal, infant and child business have had a significant impact on our overall gross profit margin. See “— Description of Key Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin.” In addition, our service-oriented businesses, including child development and parenting services, scalp and hair care services and various sales and marketing services provided to corporate customers, generally record higher gross profit margins. In particular, our sales and marketing services are supported by our digitalization capabilities and require limited incremental costs, resulting in higher gross profit margins. In comparison, sales of products typically generate lower gross profit margins. This is primarily attributable to their different cost structures, where product sales involve higher procurement and logistics costs, while services are mainly driven by labor and operating costs, which are generally lower on a marginal basis. As such, any changes in our product and service mix may have an impact on our financial performance.

Our Ability to Expand and Manage Our Sales and Service Network

During the Track Record Period, our ability to expand and manage our sales and service network has been a key factor affecting our business performance and financial results. We operate under an omni-channel sales strategy to enhance our reach to customers across diverse consumption scenarios. Our offline sales and service network consists of self-operated stores and franchised stores. For our maternal, infant and child business, as of December 31, 2025, we operated 1,031 self-operated stores and 173 franchised stores. Following our acquisition of Haiology Group in July 2025, our offline network added 175 self-operated stores and 2,442 franchised stores for our scalp and hair care business. Revenue generated from our offline sales and service network amounted to RMB4,278.8 million, RMB4,413.6 million and RMB5,330.6 million in 2023, 2024 and 2025, respectively, accounting for 56.5%, 54.1% and 59.8% of our total revenue for the same years. Our online sales and service network includes our self-operated digital marketplace, WeChat mini-programs and various third-party e-commerce platforms. Revenue generated from our online sales and service network amounted to RMB3,297.0 million, RMB3,744.5 million and RMB3,584.1 million in 2023, 2024 and 2025, respectively, accounting for 43.5%, 45.9% and 40.2% of our total revenue for the same years.

The expansion of our sales and service network requires significant operational resources and is subject to factors beyond our control. Unfavorable macroeconomic conditions, delays in store openings or slower-than-expected customer traffic may hinder our expansion progress and adversely affect our performance. In addition, managing our growing online and offline operations in a coordinated and efficient manner poses challenges. We must ensure consistent service quality, product availability, cost efficiency and regulatory compliance across a geographically dispersed store network and multiple online platforms. Failure to address these challenges effectively may negatively impact our operational efficiency and financial results. See “Risk Factors — Risks Relating to Our Business and Industry — Our future growth depends on our ability to expand and effectively manage our online and offline sales and service network.”

Our Ability to Successfully Integrate Acquired Businesses

The integration of the businesses we acquired during the Track Record Period has had, and is expected to continue to have, a material impact on our business scale, market coverage and financial performance. These acquisitions were undertaken to complement our maternal, infant and child business, expand our presence across new regions and product categories, and enhance our overall competitiveness through operational synergies. The financial results of the acquired businesses have been consolidated into our results of operations since their respective

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acquisition dates, and therefore contributed to both the growth of our revenue base and the evolution of our cost structure and operating efficiency. In August 2023, we acquired Leyou Group, a company primarily engaging in the maternal, infant and child business in the Northern China market. Prior to the acquisition, our operations were primarily concentrated in East China, Central China and South China, while our presence in northern regions remained limited. The inclusion of Leyou Group strengthened our geographic coverage, enabled us to access a broader customer base, and reinforced our overall competitive position in the maternal, infant and child business. In January 2025, we acquired FORTUNE BIO., a company mainly engaging in the R&D and sale of skincare products, to deepen our participation in the adult beauty and skincare market. In July 2025, we acquired Hairology Group to expand into the scalp and hair care market. We believe that Hairology Group generates strong synergies with our existing business, including areas such as membership management, offline store expansion, sales channel integration and supply chain management, thereby enhancing our ability to serve a wider set of family consumption needs.

Notwithstanding the strategic benefits of our acquisitions, integrating newly acquired businesses involves inherent risks. These include uncertainties in aligning operational processes and corporate cultures, challenges in consolidating supply chains and information systems, potential disruptions to existing operations, and the risk that anticipated synergies may take longer than expected to realize or may not be fully achieved. In addition, the acquired businesses may underperform relative to our expectations due to market, regulatory or operational factors. Any failure to manage these integration risks effectively could adversely affect our business performance and financial condition. See “Risk Factors — Risks Relating to Our Business and Industry — Our investments and acquisitions may not achieve the intended benefits and may expose us to various operational, financial, and regulatory risks.”

Our Ability to Maintain and Improve Cost and Operating Efficiency

Our ability to achieve and maintain profitability depends on our capability to manage costs and expenses effectively while enhancing operating efficiency. In 2023, 2024 and 2025, our cost of sales amounted to RMB6,195.4 million, RMB6,577.1 million and RMB7,260.1 million, respectively, representing 70.8%, 70.4% and 70.7% of our total revenue during the same years. The growth in our cost of sales during the Track Record Period was generally in line with the growth of our revenue. Cost of sales in relation to our maternal, infant and child business was RMB6,092.3 million, RMB6,481.4 million and RMB7,038.5 million, respectively, accounting for 98.3%, 98.5% and 97.0% of our total cost of sales during the same years. Since we continue to expand our sales and service network, our profitability will largely depend on our ability to effectively control our cost of sales by implementing various measures, including but not limited to leveraging our brand and bargaining power to negotiate favorable terms in our procurement process. In addition, we have gradually scaled up the sales volume of products under our proprietary brands and channel-exclusive customized products, which in general have better gross profit margins.

In addition to cost control, our ability to streamline operations across our business will play a key role in enhancing overall operating efficiency, which is affected by our ability to control operating expenses, which primarily comprise selling and distribution expenses, administrative expenses, and research and development expenses. In particular, our operational employee benefit expenses, which include employee benefit expenses recorded in selling and distribution expenses, administrative expenses and research and development expenses, amounted to RMB1,166.8 million, RMB1,183.0 million and RMB1,199.0 million in 2023, 2024 and 2025, respectively, accounting for 13.3%, 12.7% and 11.7% of our total revenue during the same years, respectively. Our operational employee benefit expenses continued to decrease as a percentage of our total revenue, reflecting the improvement in our

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operational efficiency. As we further expand our business, we expect to benefit from economies of scale and leverage our technology capabilities to improve our operational efficiency.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. The preparation of financial statements also requires the use of accounting estimates and associated assumptions, which are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances. Our management also exercises judgement in applying the accounting policies. Our material accounting policy information, judgements and estimates, which are important for understanding our results of operations and financial condition, are set out in Note 2.3 to the Accountants’ Report set out in Appendix I to this document.

DESCRIPTION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth key items of our consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	8,752,590	9,336,994	10,273,325
Cost of sales	(6,195,443)	(6,577,115)	(7,260,055)
Gross profit	2,557,147	2,759,879	3,013,270
Other income and gains	158,798	150,947	140,674
Selling and distribution expenses	(1,811,793)	(1,886,819)	(1,985,580)
Administrative expenses	(556,821)	(570,963)	(562,046)
Research and development expenses	(51,265)	(39,831)	(44,081)
(Impairment losses on)/reversal of impairment losses on financial assets, net	(480)	(2,396)	6,610
Other expenses	(28,772)	(24,475)	(34,761)
Finance costs	(120,252)	(131,534)	(114,820)
Share of loss of a joint venture	(425)	(133)	(42)
Profit before tax	146,137	254,675	419,224
Income tax expense	(25,567)	(49,681)	(62,998)
Profit and total comprehensive income for the year	120,570	204,994	356,226
Profit and other comprehensive income attributable to:			
Owners of the parent	105,115	181,259	297,647
Non-controlling interests	15,455	23,735	58,579
	120,570	204,994	356,226

Revenue

During the Track Record Period, the vast majority of our revenue was generated from maternal, infant and child business, including (i) sale of maternal, infant and child products, and (ii) the provision of child development and parenting services. Our revenue for the year ended December 31, 2025 also includes revenue from scalp and hair care business, comprising (i) sale of scalp and hair care products, and (ii) the provision of scalp and hair care services, following our acquisition of Hairology Group since July 5, 2025. Additionally, we also derived revenue from the provision of sales and marketing services for our corporate customers.

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The following table sets forth a breakdown of our revenue by business line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Maternal, infant and child business						
Sale of maternal, infant and child products	7,575,791	86.6	8,158,122	87.4	8,670,675	84.4
Provision of child development and parenting services	310,886	3.6	275,196	2.9	258,842	2.5
Sub-total	7,886,677	90.1	8,433,318	90.3	8,929,517	86.9
Scalp and hair care business						
Sale of scalp and hair care products	—	—	—	—	243,975	2.4
Provision of scalp and hair care services	—	—	—	—	135,465	1.3
Sub-total	—	—	—	—	379,440	3.7
Provision of sales and marketing services						
Services to suppliers	605,515	6.9	659,433	7.1	680,621	6.6
Platform services	116,470	1.3	106,985	1.1	132,581	1.3
Sub-total	721,985	8.2	766,418	8.2	813,202	7.9
Others⁽¹⁾	143,928	1.6	137,258	1.5	151,166	1.5
Total	8,752,590	100.0	9,336,994	100.0	10,273,325	100.0

Note:

- (1) Others mainly comprise rental income, revenue from the provision of promotion services and franchise fees. During the Track Record Period, we leased certain space of our retail stores under operating lease arrangements and recorded rental income of RMB73.2 million, RMB74.6 million and RMB73.5 million in 2023, 2024 and 2025, respectively, accounting for 0.8%, 0.8% and 0.7% of our total revenue for the same years.

Revenue from Maternal, Infant and Child Business

Revenue from maternal, infant and child business accounted for substantially all of our total revenue during the Track Record Period. The continued increase in revenue for this business line was primarily driven by increase in the sale of maternal, infant and child products, resulting from (i) the successful integration of Leyou Group, which significantly expanded our business presence in Northern China, (ii) the launch of distribution model and franchise model, which extended our customer reach, and (iii) our enriched product portfolio, which offered consumers broadened choices and met their evolving needs.

Revenue from the provision of child development and parenting services declined over the Track Record Period, primarily because we offered more discounts to consumers and an aggregate of 43 offline stores which offered children’s play zone services closed from 2023 to 2025.

Revenue from Scalp and Hair Care Business

Revenue from our scalp and hair care business for the year ended December 31, 2025 represents the revenue contributed by Hairology Group from July 5, 2025 to December 31, 2025 following the completion of our acquisition. See Note 37 to the Accountants’ Report as set out in Appendix I to this document for details.

Revenue from the Provision of Sales and Marketing Services

Revenue from the provision of sales and marketing services comprise revenue generated from the provision of (i) services for suppliers, including member acquisition and engagement programs, event sponsorships, product marketing and promotional campaigns across our omni-channel sales and service network, as well as the provision of digital tools to enhance suppliers’ marketing effectiveness, and (ii) platform services, representing the service fees we charge vendors on our digital marketplace. See “Business — Our Products and Services — Provision of Sales and Marketing Services” for details.

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Revenue from services to suppliers increased throughout the Track Record Period, primarily attributable to (i) enriched service portfolio we offered to our suppliers, supported by our digital capabilities in membership engagement and marketing, and (ii) the acquisition of Leyou Group, which enlarged our supplier base.

Revenue from platform services fluctuated during the Track Record Period, consistent with the corresponding movements in GMV on our digital marketplace.

Revenue from Others

Revenue from others remained relatively stable throughout the Track Record Period.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature and business line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Maternal, infant and child business						
Sale of maternal, infant and child products	6,068,855	98.0	6,439,486	97.9	6,991,996	96.4
— Product procurement costs	6,015,979	97.1	6,384,412	97.1	6,935,944	95.6
— Transportation costs	52,876	0.9	55,073	0.8	56,052	0.8
Provision of child development and parenting services	23,451	0.4	41,903	0.6	46,520	0.6
— Staff costs	9,282	0.1	26,307	0.4	30,360	0.4
— Depreciation expenses	14,169	0.2	15,596	0.2	16,160	0.2
Scalp and hair care business						
Sale of scalp and hair care products	—	—	—	—	61,252	0.8
— Raw material procurement costs	—	—	—	—	54,943	0.8
— Staff costs	—	—	—	—	1,608	0.0
— Manufacturing expenses	—	—	—	—	3,657	0.1
— Transportation costs	—	—	—	—	1,043	0.0
Provision of scalp and hair care services	—	—	—	—	63,202	0.9
— Staff costs	—	—	—	—	61,196	0.8
— Product procurement costs	—	—	—	—	2,006	0.0
Provision of sales and marketing services						
Services to suppliers						
— Service delivery costs	11,816	0.2	20,234	0.3	14,887	0.2
Platform services						
— Platform operation and maintenance expenses	32,972	0.5	24,988	0.4	31,794	0.4
Others	58,349	0.9	50,504	0.8	50,404	0.7
Total	6,195,443	100.0	6,577,115	100.0	7,260,055	100.0

Cost of sales of maternal, infant and child business represented substantially all of our cost of sales during the Track Record Period. The continued increases were primarily attributable to the growth in our product procurement costs, which were broadly in line with our revenue growth.

Cost of sales of scalp and hair care business for the year ended December 31, 2025 represents cost of sales recorded from July 5, 2025 to December 31, 2025 in relation to this business line following our acquisition of Hairology Group. Raw material procurement costs were the largest component in the cost of sales attributable to our scalp and hair care business, as we produce certain scalp and hair care products in-house.

Cost of sales of provision of sales and marketing services continued to increase throughout the Track Record Period, which was in line with the increases in revenue. Such cost of sales primarily comprised (i) service delivery costs incurred in connection with providing services to suppliers, such as material costs and venue-related expenses, and (ii)

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platform operation and maintenance expenses incurred in connection with the provision of our platform services, including costs associated with system operation, technical support and related infrastructure.

Cost of sales of others continued to decrease from 2023 to 2025, mainly because we reduced reliance on third-party advertising agencies as we increasingly provided such advertising services in-house instead of third-party advertising agencies, evidenced by the decrease in the cost in relation to advertisement services from RMB27.0 million in 2023 to RMB15.9 million in 2024 and further to RMB15.0 million in 2025.

Gross Profit and Gross Profit Margin

Our gross profit was RMB2,557.1 million, RMB2,759.9 million and RMB3,013.3 million in 2023, 2024 and 2025, respectively. Gross profit margin represents gross profit divided by revenue, expressed as a percentage. Our gross profit margin was 29.2%, 29.6% and 29.3% in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Maternal, infant and child business						
Sale of maternal, infant and child products	1,506,936	19.9	1,718,636	21.1	1,678,679	19.4
Provision of child development and parenting services	287,435	92.5	233,293	84.8	212,322	82.0
Sub-total	1,794,371	22.8	1,951,929	23.1	1,891,001	21.2
Scalp and hair care business						
Sale of scalp and hair care products	—	—	—	—	182,723	74.9
Provision of scalp and hair care services	—	—	—	—	72,263	53.3
Sub-total	—	—	—	—	254,986	67.2
Provision of sales and marketing services						
Services to suppliers	593,699	98.0	639,199	96.9	665,734	97.8
Platform Services	83,498	71.7	81,997	76.6	100,787	76.0
Sub-total	677,197	93.8	721,196	94.1	766,521	94.3
Others⁽¹⁾	85,579	59.5	86,754	63.2	100,762	66.7
Total	2,557,147	29.2	2,759,879	29.6	3,013,270	29.3

Note:

- (1) Others mainly represent gross profit and gross profit margin of rental services, promotion services and franchise services.

Other Income and Gains

Our other income and gains primarily consist of (i) investment income, arising from income upon the redemption of wealth management products and withdrawal of structured deposits, (ii) government grants, (iii) bank interest income, (iv) net gains on early termination of leases, mainly resulting from store exits and downsizing, (v) fair value gains on financial assets at fair value through profit or loss, net, arising from wealth management products and

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structured deposits, and (vi) gains on deregistration of a subsidiary. The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Investment income	20,739	37,908	43,465
Government grants	25,199	19,156	28,124
Bank interest income	62,842	40,943	16,219
Others ⁽¹⁾	20,368	14,793	16,948
Total other income	<u>129,148</u>	<u>112,800</u>	<u>104,756</u>
Gains			
Gains on early termination of leases, net	19,277	21,289	15,857
Fair value gains on financial assets at fair value through profit or loss, net	10,373	16,708	20,061
Gains on deregistration of a subsidiary	—	150	—
Total gains	<u>29,650</u>	<u>38,147</u>	<u>35,918</u>
Total other income and gains	<u>158,798</u>	<u>150,947</u>	<u>140,674</u>

Note:

- (1) Others mainly comprise certain non-operating income such as compensation received from litigations. The majority of such income in 2023 was attributable to a court ruling in our favor in relation to construction defects caused by the contractor in our Nanjing warehouse project. Other litigation-related compensation during the Track Record Period primarily included recoveries from minor legal disputes arising in the ordinary course of our business, none of which were material to our operations.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee benefit expenses of our sales and marketing team, (ii) depreciation and amortization, mainly arising from our right-of-use assets, electrotonic appliances and interior decoration of our self-operated stores, (iii) rent and property management expenses for our self-operated stores, (iv) marketing expenses, (v) office and utility expenses, and (vi) other expenses.

The following table sets forth a breakdown of our selling and distribution expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	760,843	42.0	773,823	41.0	838,517	42.2
Depreciation and amortization	592,581	32.7	585,721	31.0	525,453	26.5
Rent and property management expenses	245,811	13.6	287,985	15.3	302,782	15.2
Marketing expenses	100,935	5.6	121,333	6.4	185,816	9.4
Office and utility expenses	93,763	5.2	87,483	4.6	101,066	5.1
Others	17,860	0.9	30,474	1.7	31,946	1.5
Total	<u>1,811,793</u>	<u>100.0</u>	<u>1,886,819</u>	<u>100.0</u>	<u>1,985,580</u>	<u>100.0</u>

Our selling and distribution expenses remained relatively stable throughout the Track Record Period.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses of our administrative and management team, (ii) depreciation and amortization of our right-of-use assets in relation to property, plant and equipment used for administrative purpose, (iii) transaction fees, mainly representing payment processing fees charged by third-party payment platforms, (iv) warehousing and logistics expenses arising from transportation across our stores and warehouses, (v) office expenses, (vi) service fees, mainly including technical service fees for cloud services and professional service fees, and (vii) other expenses, mainly representing rents, other taxes and surcharges.

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The following table sets forth a breakdown of our administrative expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	355,351	63.8	369,533	64.7	321,133	57.1
Depreciation and amortization	38,233	6.9	38,029	6.7	54,263	9.7
Transaction fees	36,221	6.5	40,375	7.1	41,386	7.4
Warehousing and logistics expenses	36,226	6.5	36,307	6.4	39,944	7.1
Office expenses	24,211	4.3	30,688	5.4	39,307	7.0
Service expenses	41,224	7.4	29,553	5.2	35,292	6.3
Others	25,355	4.6	26,478	4.5	30,721	5.4
Total	556,821	100.0	570,963	100.0	562,046	100.0

Our administrative expenses remained relatively stable from 2023 to 2025.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employment benefit expenses of our R&D team, and (ii) other expenses, mainly representing depreciation expenses and technical service fees.

The following table sets forth a breakdown of our research and development expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	50,617	98.7	39,683	99.6	39,399	89.4
Others	648	1.3	148	0.4	4,681	10.6
Total	51,265	100.0	39,831	100.0	44,081	100.0

Our research and development expenses decreased from 2023 to 2024, primarily due to lower employee benefit expenses, mainly resulting from (i) our optimized team structure, and (ii) decreased share incentive expenses in 2024. We have consistently prioritized the development of our digital capabilities and maintained a high level of R&D investment over the years. By 2023, we had largely achieved end-to-end digitalization across our core processes and production factors, enabling data-driven decision-making and resource allocation. As our digital infrastructure reached a more mature stage, we optimized the staffing structure of our R&D team, which was adjusted dynamically in accordance with our internal human resource management. In addition, part of our research and development expenses were capitalized in 2024, which led to a further reduction in overall R&D expenses. Our research and development expenses increased from 2024 to 2025, mainly due to the increase in other expenses, resulting from the acquisition of Hairology Group.

Net (Impairment Losses)/Reversal of Impairment Losses on Financial Assets

Our net impairment losses on financial assets mainly represent provision for expected credit loss allowance for trade receivables and other receivables that might be uncollectible.

Our net impairment losses on financial assets increased from 2023 to 2024. Such continuous increase primarily reflected the increased balance of trade receivables and other receivables that might be uncollectible. We recorded reversal of impairment losses on financial assets for the year ended December 31, 2025, primarily because we accelerated collections of our trade receivables during this year, which led to a reduction in the gross carrying amount of our trade receivables and other receivables.

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Other Expenses

Our other expenses include (i) non-operating expenses, mainly representing donations, (ii) foreign exchange losses, (iii) loss on disposal of non-current assets, and (iv) impairment loss on right-of-use assets. In 2023, 2024 and 2025, our other expenses were RMB28.8 million, RMB24.5 million and RMB34.8 million, respectively.

Finance Costs

Our finance costs primarily consist of (i) interest on interest-bearing bank borrowings, (ii) interest expenses on convertible bonds, and (iii) interest on lease liabilities. The following table sets forth a breakdown of our finance costs for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on interest-bearing bank borrowings	33,702	47,515	63,513
Interest expenses on convertible bonds	14,925	27,867	—
Interest on lease liabilities	72,050	63,455	53,757
Less: Interest capitalized	(425)	(7,303)	(2,450)
	<u>120,252</u>	<u>131,534</u>	<u>114,820</u>

Our finance costs fluctuated throughout the Track Record Period, mainly resulting from the fluctuations in the interest expenses on convertible bonds. We issued the 2023 Convertible Bonds in July 2023 and such convertible bonds were delisted from the Shenzhen Stock Exchange in 2024. See “History, Development and Corporate Structure — Major Shareholding Changes after Our Listing on the Shenzhen Stock Exchange — Issuance of Convertible Bonds and the Redemption” and Note 28 to the Accountants’ Report as set out in Appendix I to this document for details.

Share of Loss of a Joint Venture

Our share of loss of a joint venture was RMB425.0 thousand, RMB133.0 thousand and RMB42.0 thousand in 2023, 2024 and 2025, respectively. Our share of loss on joint venture arose from our equity interests in JUMPJOY (Cayman) Limited. As this joint venture is still in its early-stage of development, it had not achieved profitability as of December 31, 2023, 2024 and 2025.

Income Tax Expense

Pursuant to the EIT Law, we and our subsidiaries which operate in the Chinese Mainland are subject to the statutory EIT at a rate of 25% on the taxable profits, except for (i) certain subsidiaries of our Group engaged in the encouraged industries in the western region of the PRC, were entitled to the PRC income tax at a preferential rate of 15%, (ii) certain subsidiary of our Group is eligible for a preferential income tax rate of 15% with respect to preferential income tax policy of the Guangdong-Macao In-Depth Cooperation Zone in Hengqin, and (iii) certain subsidiaries of our Group were qualified as “Small Low-profit Enterprise (小型微利企业)” and were entitled to the PRC income tax at a preferential rate of 15%. The portion of annual taxable income amount of a Small Low-profit Enterprise which does not exceed RMB1,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%; the portion of annual taxable income amount which exceeds RMB1,000,000 but does not exceed RMB3,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%. Our subsidiary in Hong Kong is subject to a tax rate of 16.5% calculated based on the estimated assessable profits.

We recorded income tax expense of RMB25.6 million, RMB49.7 million and RMB63.0 million in 2023, 2024 and 2025, respectively.

As of the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

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Profit and Total Comprehensive Income for the Year

As a result of the foregoing, we recorded profit for the year of RMB120.6 million, RMB205.0 million and RMB356.2 million in 2023, 2024 and 2025, respectively.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 10.0% from RMB9,337.0 million in 2024 to RMB10,273.3 million in 2025.

Revenue from maternal, infant and child business increased by 5.9% from RMB8,433.3 million in 2024 to RMB8,929.5 million in 2025, driven by an increase of RMB512.6 million in revenue from the sales of maternal, infant and child products, mainly attributable to the increase of (i) approximately RMB269.4 million from sales of formula mainly attributable to an increase of 10.8 million units in sales volume in 2025, supported by the increased sales to franchised stores of RMB203.0 million in 2025, primarily because the number of our franchised stores within maternal, infant and child business increased from nine as of December 31, 2024 to 193 as of December 31, 2025, (ii) RMB118.6 million from the sale of wash and care products, primarily due to (a) the increased average selling price from RMB30 in 2024 to RMB43 in 2025, and (b) the acquisition of FORTUNE BIO. in January 2025. FORTUNE BIO., a company mainly engaged in the R&D and sale of skincare products, allowed us to deepen our involvement in the adult beauty and skincare market, and (iii) RMB116.8 million from the sale of underwear and home textiles, mainly attributable to (a) the expansion into new product sub-categories under underwear and home textiles, (b) the increased sales volume from 9.5 million units in 2024 to 11.3 million units in 2025, mainly contributed by over 50 third-party underwear and home textiles brands, and (c) the increased average selling price from RMB32 in 2024 to RMB37 in 2025.

Revenue from our scalp and hair care business in 2025 represents the revenue contributed by Hairology Group from July 5, 2025 to December 31, 2025 following our acquisition of this company in July 2025.

Revenue from the provision of sales and marketing services increased by 6.1% from RMB766.4 million in 2024 to RMB813.2 million in 2025, attributable to (i) an increase of RMB25.6 million in revenue from platform services, mainly due to the increased GMV of our digital marketplace, the sales volume of carefully selected products from overseas, and the acquisition of Hairology Group, which also provides platform services, and (ii) an increase of RMB21.2 million in revenue from services to suppliers, driven by increased subscription and the growth of over 50 customers to our digital tools and higher product marketing and promotional campaigns fees we charged for in-store display placement.

Revenue from others increased by 10.1% from RMB137.3 million in 2024 to RMB151.2 million in 2025, attributable to the increased revenue from the provision of promotion services and franchise fees.

Cost of Sales

Our cost of sales increased by 10.4% from RMB6,577.1 million in 2024 to RMB7,260.1 million in 2025, primarily attributable to an increase of RMB557.1 million in cost of sales attributable to our maternal, infant and child business.

Our cost of sales attributable to our maternal, infant and child business increased by 8.6% from RMB6,481.4 million in 2024 to RMB7,038.5 million in 2025, primarily attributable to an increase of RMB552.5 million in cost of sales associated with the sales of maternal, infant and child products. Such increase was mainly driven by higher product procurement costs and was generally in line with our revenue growth in this business line.

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Cost of sales attributable to scalp and hair care business in 2025 represents cost of sales recorded from July 5, 2025 to December 31, 2025 in relation to this business line following our acquisition of Hairology Group. Staff costs were the largest component of cost of sales attributable to scalp and hair care business, amounting to RMB62.8 million and accounting for 50.4% of the total, followed by raw material procurement costs of RMB54.9 million, which accounted for 44.1% of the total.

Our cost of sales attributable to the provision of sales and marketing services remained relatively stable at RMB45.2 million in 2024 and RMB46.7 million in 2025.

Gross Profit and Gross Profit Margin

Our gross profit increased by 9.2% from RMB2,759.9 million in 2024 to RMB3,013.3 million in 2025, primarily driven by (i) additional gross profit of RMB255.0 million from our scalp and hair care business following the acquisition of Hairology Group, and (ii) an increase of RMB45.3 million in gross profit from the provision of sales and marketing services. Such increase was offset by a decrease of RMB60.9 million in gross profit from maternal, infant and child business, mainly due to the decrease in gross profit of RMB60.1 million from formula, driven by the increased sales volume of 10.8 million units of formula in 2025 attributable to the wholesales to franchisees and distributors with lower gross profit compared to end customers, which was evidenced by the decreased average selling price from RMB239 in 2024 to RMB167 in 2025. In addition, the decrease in gross profit of RMB17.6 million from outerwear and children’s footwear, RMB16.5 million from snacks and complementary foods and RMB9.6 million from toys further lowered our overall gross profit from maternal, infant and child business.

Our gross profit margin remained relatively stable at 29.6% in 2024 and 29.3% in 2025.

Other Income and Gains

Our other income and gains decreased by 6.8% from RMB150.9 million in 2024 to RMB140.7 million in 2025, primarily attributable to (i) a decrease of RMB24.7 million in bank interest income, as we utilized a portion of our demand deposits to purchase wealth management products, and (ii) a decrease of RMB5.4 million in net gains on early termination of leases. Such increase was partially offset by an increase of RMB9.0 million in government grants.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB1,886.8 million in 2024 and RMB1,985.6 million in 2025, respectively.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB571.0 million in 2024 and RMB562.0 million in 2025, respectively.

Research and Development Expenses

Our research and development expenses increased by 10.7% from RMB39.8 million in 2024 to RMB44.1 million in 2025, primarily attributable to an increase of RMB4.5 million in other expenses, resulting from the acquisition of Hairology Group.

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets, Net

We recorded reversal of impairment losses on financial assets of RMB6.6 million in 2025, primarily because we accelerated collections of our trade receivables during this year, which led to a reduction in the gross carrying amount of our trade receivables and other receivables.

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Other Expenses

Our net expenses increased by 42.0% from RMB24.5 million in 2024 to RMB34.8 million in 2025, primarily attributable to (i) the increased amount of RMB5.7 million in foreign exchange losses arisen from the cross-border business growth in 2025 which was affected by the exchange rate; (ii) the increased amount of RMB3.0 million in donations we made.

Finance Costs

Our finance costs decreased by 12.7% from RMB131.5 million in 2024 to RMB114.8 million in 2025, primarily due to a decrease of RMB27.9 million in interest expenses on convertible bonds as all of our 2023 Convertible Bonds were converted to ordinary Shares or redeemed in 2024.

Share of Loss of a Joint Venture

Our share of loss of a joint venture decreased by 68.4% from RMB133 thousand in 2024 to RMB42 thousand in 2025, primarily due to a narrower loss compared with 2024, which further led to the decrease in the aggregated carrying amount of JUMPJOY (Cayman) Limited as of December 31, 2025.

Income Tax Expense

Our income tax expense increased by 26.8% from RMB49.7 million in 2024 to RMB63.0 million in 2025, primarily attributable to the increase of RMB164.5 million in our profit before taxation.

Our effective income tax rate, being income tax expense as a percentage of profit before tax, was 19.5% in 2024 and 15.0% in 2025.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased by 73.8% from RMB205.0 million in 2024 to RMB356.2 million in 2025. Our net profit margin, which represents profit for the year as a percentage of revenue, increased from 2.2% in 2024 to 3.5% in 2025.

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

Revenue

Our revenue increased by 6.7% from RMB8,752.6 million in 2023 to RMB9,337.0 million in 2024.

Revenue from maternal, infant and child business increased by 6.9% from RMB7,886.7 million to RMB8,433.3 million in 2024, primarily driven by an increase of RMB582.3 million in revenue from the sales of maternal, infant and child products, mainly resulting from the increase of (i) RMB433.9 million from the sales of formula attributable to an increase of 2.1 million units in sales volume in 2024, supported by (a) the acquisition of Leyou Group in August 2023, resulting in the increase of 520 stores which significantly extended our sales network, (b) the development of our distribution model in 2024, evidenced by its increased revenue contribution of RMB66.8 million from 2023 to 2024, and (c) the launch of our franchise model in 2024, (ii) RMB132.8 million from the sale of strollers, cribs and seats, primarily due to (a) the increased average selling price from RMB964 in 2023 to RMB1,239 in 2024, and (b) an increase of 41.3 thousand units in sales volume in 2024, and (iii) RMB105.4 million from the sale of outerwear and children’s footwear, mainly attributable to (a) an increase of 1.2 million units in sales volume in 2024, and (b) the increased average selling price from RMB49 in 2023 to RMB57 in 2024. Such increase was partially offset by a decrease of RMB35.7 million in revenue from the provision of child development and parenting services, primarily because (i) we adjusted the sale price and the corresponding benefit of our premium

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membership, and (ii) eight stores which offered children’s play zone services closed in the fourth quarter of 2023 with the revenue impact of those closures reflected in 2024, as well as the closure of another seven stores which offered children’s play zone services in 2024.

Revenue from the provision of sales and marketing services increased by 6.2% from RMB722.0 million in 2023 to RMB766.4 million in 2024, primarily attributable to increases in revenue from services to suppliers, arising from our acquisition of Leyou Group, which enlarged our supplier base. See “Business — Our Products and Services — Provision of Sales and Marketing Services” for details.

Revenue from others remained relatively stable at RMB143.9 million in 2023 and RMB137.3 million in 2024.

Cost of Sales

Our cost of sales increased by 6.2% from RMB6,195.4 million in 2023 to RMB6,577.1 million in 2024.

Cost of sales attributable to our maternal, infant and child business increased by 6.4% from RMB6,092.3 million in 2023 to RMB6,481.4 million in 2024, primarily attributable to an increase of RMB370.6 million in cost of sales associated with the sales of maternal, infant and child products. Such increase was mainly driven by higher product procurement costs and was generally in line with our revenue growth in this business line.

Cost of sales attributable to the provision of sales and marketing services remained relatively stable at RMB44.8 million in 2023 and RMB45.2 million in 2024.

Cost of sales attributable to others decreased by 13.4% from RMB58.3 million in 2023 to RMB50.5 million in 2024, primarily because we previously relied more on external media placements, whereas we now more frequently utilized our internal media channels, leading to a decrease of RMB11.2 million in cost on providing promotion services.

Gross Profit and Gross Profit Margin

Our gross profit increased by 7.9% from RMB2,557.1 million in 2023 to RMB2,759.9 million in 2024, primarily driven by (i) an increase of RMB157.5 million in gross profit from maternal, infant and child business, mainly attributable to (a) the increase in gross profit of RMB160.3 million from the sales of formula, benefiting from the growth of sales volume of 2.1 million units and the adjustment of product mix to higher profit level brands, (b) RMB39.7 million from the sales of wash and care products, which was attributable to the increase in revenue of RMB13.6 million benefiting from the increased average selling price from RMB28 in 2023 to RMB30 in 2024, and (c) RMB21.8 million from the sales of outerwear and children’s footwear, which was attributable to the increase in revenue of RMB105.4 million benefiting from the growth of sales volume of 1.2 million units and the increased average selling price from RMB49 in 2023 to RMB57 in 2024, and (ii) an increase of RMB44.0 million in gross profit from the provision of sales and marketing services which was attributable to the increase of corresponding revenue in customer acquisition nature resulting from the growth of number of our members. Our gross profit margin increased from 29.2% in 2023 to 29.6% in 2024, primarily attributable to the higher gross profit margin of the sale of maternal, infant and child products. Revenue from our proprietary and channel-exclusive products increased from 2023 to 2024. Our proprietary products carry higher gross margins, which reached 36.1% in 2024, supported by our brand premium, while our channel-exclusive products deliver higher gross margins, which reached 33.6% in 2024, because their restricted distribution gives us greater pricing power.

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Other Income and Gains

Our other income and gains decreased by 4.9% from RMB158.8 million in 2023 to RMB150.9 million in 2024, primarily due to a decrease of RMB21.9 million in bank interest income as we utilized a portion of our demand deposits to purchase wealth management products. Such decrease was partially offset by an increase of RMB17.2 million in investment income, resulting from the redemption of certain wealth management products and withdrawal of structured deposits.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 4.1% from RMB1,811.8 million in 2023 to RMB1,886.8 million in 2024, primarily because we only consolidated Leyou Group’s selling and distribution expenses for the period from August 11, 2023 to December 31, 2023, whereas the full-year selling and distribution expenses were reflected in 2024.

Administrative Expenses

Our administrative expenses increased by 2.5% from RMB556.8 million in 2023 to RMB571.0 million in 2024, primarily resulting from the consolidation of administrative expenses of Leyou Group resulting from our acquisition.

Research and Development Expenses

Our research and development expenses decreased by 22.3% from RMB51.3 million in 2023 to RMB39.8 million in 2024, primarily due to a decrease of RMB10.9 million in employee benefit expenses, mainly as a result of optimized staffing structure of our R&D team and the decrease of RMB6.0 million in share incentive expenses. See “Description of Key Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Research and Development Expenses” for details.

Impairment Losses on Financial Assets, Net

Our net impairment losses on financial assets increased significantly from RMB480 thousand in 2023 to RMB2.4 million in 2024, reflecting the increased balance of trade receivables which is in line with the business expansion.

Other Expenses

Our other expenses decreased by 14.9% from RMB28.8 million in 2023 to RMB24.5 million in 2024, primarily attributable to a reduction in losses related to decoration and other assets as a result of fewer store closures.

Finance Costs

Our finance costs increased by 9.4% from RMB120.3 million in 2023 to RMB131.5 million in 2024, primarily attributable to an increase of RMB12.9 million in interest expenses on convertible bonds, arising from the issuance of our 2023 Convertible Bonds.

Share of Loss of a Joint Venture

Our share of loss of a joint venture decreased by 68.7% from RMB425 thousand in 2023 to RMB133 thousand in 2024, primarily due to a narrower loss compared with 2023, which further led to the decrease in the aggregated carrying amount of JUMPJOY (Cayman) Limited as of December 31, 2024.

Income Tax Expense

Our income tax expense increased by 94.3% from RMB25.6 million in 2023 to RMB49.7 million in 2024, primarily due to the increase of RMB108.5 million in our profit before taxation.

Our effective income tax rate, being income tax expense as a percentage of profit before tax, was 17.5% in 2023 and 19.5% in 2024.

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Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased by 70.0% from RMB120.6 million in 2023 to RMB205.0 million in 2024. Our net profit margin, which represents profit for the year as a percentage of revenue, increased from 1.4% in 2023 to 2.2% in 2024.

DISCUSSION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth statements of our financial position as of the dates indicated:

	As of December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current assets			
Property, plant and equipment	1,024,204	1,136,536	1,688,611
Right-of-use assets	2,000,496	1,615,284	1,441,928
Goodwill	781,694	781,694	1,932,304
Other intangible assets	147,539	155,273	297,255
Investment in a joint venture	14,575	14,441	14,399
Other non-current assets	326,421	549,353	138,997
Deferred tax assets	57,068	75,872	105,320
Total non-current assets	4,351,997	4,328,453	5,618,814
Current assets			
Inventories	1,119,582	927,343	902,461
Trade receivables	84,190	81,963	99,365
Prepayments, other receivables and other assets	674,257	518,385	548,511
Financial assets at fair value through profit or loss	905,260	1,969,374	2,030,951
Pledged deposits	158,421	512,488	315,177
Restricted cash and time deposit	23,688	26,346	244,248
Cash and cash equivalents	2,290,005	859,530	1,012,889
Total current assets	5,255,403	4,895,429	5,153,602
Current liabilities			
Trade and bills payables	1,158,116	1,476,560	1,591,684
Other payables and accruals	720,849	851,380	677,442
Contract liabilities	251,607	217,250	524,996
Interest-bearing bank borrowings	139,546	151,726	467,423
Lease liabilities	544,889	489,268	437,123
Tax payable	40,311	25,580	50,719
Total current liabilities	2,855,318	3,211,764	3,749,387
Net current assets	2,400,085	1,683,665	1,404,215
Total assets less current liabilities	6,752,082	6,012,118	7,023,029
Non-current liabilities			
Interest-bearing bank borrowings	919,362	837,676	1,879,448
Convertible bonds	991,281	—	—
Lease liabilities	1,497,249	1,144,898	988,294
Deferred tax liabilities	32,622	29,468	56,271
Deferred income	4,932	3,242	4,988
Other non-current liabilities	10,469	14,359	75,266
Total non-current liabilities	3,455,915	2,029,643	3,004,267
Net assets	3,296,167	3,982,475	4,018,762

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Property, Plant and Equipment

Our property, plant and equipment consist of (i) buildings and leasehold improvements, (ii) machinery and equipment, (iii) motor vehicles, (iv) other equipment, and (v) construction in progress. The table below sets forth a breakdown of the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Buildings and leasehold improvements	648,042	592,430	1,047,214
Machinery and equipment	66,709	49,396	50,377
Motor vehicles	1,651	2,004	2,236
Other equipment.	108,123	79,800	83,352
Construction in progress	199,679	412,906	505,432
Total	1,024,204	1,136,536	1,688,611

The net carrying amount of our property, plant and equipment increased from RMB1,024.2 million as of December 31, 2023 to RMB1,136.5 million as of December 31, 2024, primarily attributable to increases of RMB213.2 million in the net carrying amount of construction in progress, mainly as a result of ongoing investments in warehousing facilities, reflecting our efforts to enhance our efficiency in logistics and capabilities in supply chain management. In January 2023, we started the construction of our North China Smart Logistics Park in Tianjin, which will serve as our logistics center in Northern China. Such increase was offset by the decrease of RMB55.6 million in the buildings and leasehold improvements, RMB28.3 million in the other equipment and RMB17.3 million in machinery and equipment, all resulting from the normal depreciation over the increasing useful life.

Our property, plant and equipment increased from RMB1,136.5 million as of December 31, 2024 to RMB1,688.6 million as of December 31, 2025. This growth was primarily attributable to increases of RMB454.8 million in buildings and leasehold improvements, which was led by the North China Smart Logistics Park being reclassified from construction in progress to buildings and leasehold improvements upon reaching the condition of intended use in 2025 as well as RMB92.5 million in construction in progress, resulting from newly procured office premises that are currently under renovation and not yet in use.

Right-of-use Assets

Our right-of-use assets represent our rights to utilize underlying assets over the lease term. These assets primarily include leasehold land, stores and office premises. We recognize right-of-use assets at the commencement date of the lease, which is the date when the underlying asset is available for use. We measure right-of-use assets at cost, less accumulated depreciation and any impairment losses, and adjust for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

The carrying amount of our right-of-use assets decreased by 19.3% from RMB2,000.5 million as of December 31, 2023 to RMB1,615.3 million as of December 31, 2024, and further decreased by 10.7% to RMB1,441.9 million as of December 31, 2025, primarily due to depreciation of stores and office premises.

Goodwill

Goodwill arising on the acquisition of businesses is measured at cost, net of accumulated impairment losses. We assess whether goodwill is impaired at least once annually. Impairment testing involves estimating the value in use of the cash-generating units (the “CGU”) to which

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goodwill has been allocated. This process requires us to estimate future cash flows expected to be derived from the cash-generating units and to apply an appropriate discount rate to determine the present value of those cash flows.

The carrying value of our goodwill remained stable at RMB781.7 million as of December 31, 2023 and 2024, respectively. The carrying value of our goodwill increased from RMB781.7 million as of December 31, 2024 to RMB1,932.3 million as of December 31, 2025, mainly as a result of the acquisitions of Hairology Group and FORTUNE BIO.

Our management engages independent external valuers to assess the recoverable amounts of goodwill as of the end of each of the Track Record Period. The recoverable amounts of cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period for all units. The cash flows beyond the five-year period are extrapolated using zero growth rate, with the assumption that the business operates perpetually. Our management considers that the cash-generating units’ values in use are higher than their fair values less costs of disposal based on the current available information.

As of December 31, 2025, based on the value-in-use calculations, the recoverable amount of Leyou CGU exceeded its carrying amount by RMB119,740,000, the recoverable amount of Fortune CGU exceeded its carrying amount by RMB43,582,000, and the recoverable amount of Hairology CGU exceeded its carrying amount by RMB127,001,000. Our Directors are of the view that there is no reasonably possible change to the key assumptions applied would lead to impairment of goodwill as of December 31, 2023, 2024 and 2025.

See “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers” and Note 15 to the Accountants’ Report set out in Appendix I to this document for more details.

Other Intangible Assets

Our other intangible assets represent (i) software, (ii) software copyrights, (iii) franchise rights, (iv) trademarks, and (v) deferred development costs. The following table sets forth the net carrying amount of our intangible assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Software	36,409	47,331	70,350
Software copyrights	5,189	4,647	16,964
Franchise rights	5,976	5,671	36,110
Trademarks	99,965	95,253	158,191
Deferred development costs	—	2,371	15,640
Total	147,539	155,273	297,255

Our net carrying amount of other intangible assets increased from RMB147.5 million as of December 31, 2023 to RMB155.3 million as of December 31, 2024, primarily attributable to (i) an increase of RMB10.9 million in software relating to our proprietary software, and (ii) the addition in deferred development costs resulting from the R&D of certain proprietary software. The net carrying amount of other intangible assets increased from RMB155.3 million as of December 31, 2024 to RMB297.3 million as of December 31, 2025, primarily attributable to (i) an increase in trademarks of RMB62.9 million, (ii) an increase in franchise rights of RMB30.4 million, (iii) an increase in software of RMB23.0 million, and (iv) an increase in deferred development costs of RMB13.3 million resulting from the R&D of certain proprietary software, and (v) an increase of RMB12.3 million in software copyrights, all resulting from the acquisition of Hairology Group.

Our management performed annual impairment testing for the development costs which were not yet available for use as of the end of each of the Track Record Period. The recoverable amount of the development costs has been determined based on a value in use

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calculation by using the discounted cash flow method, with reference to the financial budgets of individual development projects approved by management covering a five-year period. The values to the assigned key assumptions were based on the expected efficiency improvements and expected market development. In addition, our management performed the sensitivity analysis based on changes of the key assumptions.

The recoverable amount of development costs exceeded the carrying amount by RMB73,582,000 as of December 31, 2025. Our Directors are of the view that there was no impairment required as of December 31, 2025 and there is no reasonably possible change to the key assumptions applied which would lead to impairment of development costs as of the same date. For details, see Note 16 to the Accountants’ Report set out in Appendix I to this document.

Other Non-Current Assets

Our non-current assets represent (i) rental deposits, (ii) certificates of deposit, (iii) unrecognized financing costs, representing the difference between the nominal amount of our rental deposits and their present value, (iv) prepayment for property, plant and equipment, (v) prepayment for other intangible assets, (vi) prepayment for equity acquisition, and (vii) others in relation to deposit receivables from our suppliers.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Rental deposits	70,396	70,052	74,491
Certificates of deposit	230,252	162,333	30,000
Unrecognized financing costs	25,454	22,058	16,404
Prepayment for property, plant and equipment	—	245,513	12,722
Prepayment for other intangible assets	368	846	830
Prepayment for equity acquisition	—	48,600	—
Others	—	—	4,580
Less: Impairment allowance	(49)	(49)	(30)
Total	326,421	549,353	138,997

Our other non-current assets increased from RMB326.4 million as of December 31, 2023 to RMB549.4 million as of December 31, 2024, primarily due to addition of RMB245.5 million in prepayment for property, plant and equipment for the purchase of office buildings. Our other non-current assets decreased from RMB549.4 million as of December 31, 2024 to RMB139.0 million as of December 31, 2025, primarily due to (i) a decrease of RMB232.8 million in prepayment for property, plant and equipment, resulting from the handover of new office premises, and (ii) a decrease of RMB132.3 million in the balance of certificates of deposit as they reached maturity.

Inventories

Our inventories comprise (i) finished goods, (ii) raw materials, (iii) other materials and (iv) work in progress. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finished goods	1,145,149	946,489	911,164
Raw materials	—	—	3,986
Other materials	—	—	3,698
Work in progress	—	—	1,999
Less: Allowance for impairment of inventories	(25,567)	(19,146)	(18,386)
Total	1,119,582	927,343	902,461

We continue enhancing our inventory management during the Track Record Period. As of December 31, 2023, 2024 and 2025, our inventories amounted to RMB1,119.6 million, RMB927.3 million and RMB902.5 million, respectively. The fluctuations of our inventories

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throughout the Track Record Period was mainly due to fluctuations of our finished goods. Finished goods decreased by 17.3% from RMB1,145.1 million as of December 31, 2023 to RMB946.5 million as of December 31, 2024, primarily due to (i) our decreased procurement in 2024 resulting from our ongoing efforts to optimize inventory management to promote the consumption of finished goods, and (ii) the implementation and continued rollout of our “shared inventory” strategy and automatic replenishment system introduced in 2023, which remained relatively stable at RMB946.5 million as of December 31, 2024 and RMB911.2 million as of December 31, 2025.

We make allowance for impairment of inventories if their expected net realizable value is lower than their costs. As of December 31, 2023, 2024 and 2025, our allowance for impairment of inventories amounted to RMB25.6 million, RMB19.1 million, and RMB18.4 million, respectively. The decreases in allowance for impairment of inventories was generally in line with the decreases of inventories during the Track Record Period.

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

	Year ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	61	57	46

Note:

- (1) Calculated as the average of the opening and closing inventory balances for the year, divided by cost of sales for the relevant year, multiplied by the number of days for the relevant year (being 365 days for 2023, 2024 and 2025).

Our inventory turnover days decreased from 61 days in 2023 to 57 days in 2024, and further decreased to 46 days in 2025, primarily due to our optimized inventory management as a result of the implementation and continued rollout of our “shared inventory” strategy and automatic replenishment system.

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

	As of December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within one year	1,022,106	851,482	830,945
One year to two years	84,197	64,270	55,856
Over two years	13,279	11,591	15,660
Total	1,119,582	927,343	902,461

As of April 30, 2026, approximately RMB779.8 million, or 84.7% of our inventories as of December 31, 2025 were subsequently recognized as cost of sales.

Trade Receivables

Our trade receivables primarily represent outstanding amounts due from our customers for products sold and services provided in the ordinary course of our business.

The following table sets forth our trade receivables of the dates indicated:

	As of December 31,		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade receivables	90,546	91,629	103,743
Less: provision for impairment losses	(6,356)	(9,666)	(4,378)
Total	84,190	81,963	99,365

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Our trade receivables remained relatively stable at RMB84.2 million as of December 31, 2023 and RMB82.0 million as of December 31, 2024. Our trade receivables increased by 21.2% from RMB82.0 million as of December 31, 2024 to RMB99.4 million as of December 31, 2025, primarily due to the acquisition of FORTUNE BIO.

We apply the simplified approach in calculating ECLs for trade receivables. We perform an impairment analysis at the end of each reporting year using a provision matrix to measure ECLs. The provision rates are based on past due information for groupings years of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each reporting date about past events, current conditions and forecasts of future economic conditions. We recorded provision for impairment losses on trade receivables of RMB6.4 million, RMB9.7 million and RMB4.4 million as of December 31, 2023, 2024 and 2025, respectively. The fluctuations in impairment losses on trade receivables were mainly due to the variations in the gross carrying amount of trade receivables. We enhanced our payment collection measures in 2025 and therefore recorded less provision for impairment losses on trade receivables as of December 31, 2025.

The following table sets forth an aging analysis of our trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 6 months.	76,736	76,489	96,866
6 months to 12 months	7,371	5,261	2,430
Over 1 year	83	213	69
Total.	84,190	81,963	99,365

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

	Year ended December 31,		
	2023	2024	2025
Trade receivables turnover days ⁽¹⁾	3	3	3

Note:

- (1) Calculated as the average of the opening and closing balances of trade receivables for the year, net of loss allowance, divided by revenue for the relevant year, multiplied by the number of days for the relevant year (being 365 days for 2023, 2024 and 2025).

As of April 30, 2026, approximately RMB94.4 million, or 90.9% of our trade receivables as of December 31, 2025 had been settled.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss included (i) wealth management products at fair value we purchased; and (ii) structured deposits.

As part of our treasury management, during the Track Record Period, we purchased and held several wealth management products and structured deposits issued by several commercial banks in Chinese Mainland. The wealth management products include financial institutions' wealth management products and non-principal-guaranteed floating-return products. The interest rates of the structured deposits fluctuated within the range of 1.30% to 3.00% during the Track Record Period. We managed and evaluated the performance of our investments on wealth management products and structured deposits in accordance with our internal risk management and investment strategies.

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We have established criteria and internal policies in assessing, purchasing and managing the wealth management products and structured deposits. Under our investment policies, we are prohibited from investing in high-risk products and the proposed investment must not interfere with our business operations or capital expenditure. As of the Latest Practicable Date, our investment decisions did not deviate from our investment policies. We believe that our internal policies and the related risk management mechanism are adequate. We may invest in wealth management products and structured deposits in consistent with our investment policy, after consultation with and approval by our Board where we believe it is prudent to do so after the [REDACTED]. These investments in the financial assets will be subject to the compliance with Chapter 14 of the Listing Rules after the [REDACTED].

Our financial assets at fair value through profit or loss significantly increased from RMB905.3 million as of December 31, 2023 to RMB1,969.4 million as of December 31, 2024, and further increased to RMB2,031.0 million mainly due to the increase in wealth management products we purchased to optimize the efficiency of our capital deployment.

Prepayments, Other Receivables and Other Assets

Prepayments, other receivables and other assets primarily consist of (i) value-added tax recoverable, (ii) certificates of deposit, (iii) other receivables, mainly related to rebates payable by our suppliers, (iv) prepayments to suppliers, (v) rental deposits, (vi) deferred [REDACTED], (vii) right-of-return assets, arising from products sold but expected to be returned, and (viii) tax recoverable.

The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Value-added tax recoverable	151,127	146,774	216,647
Certificates of deposit	252,258	177,208	136,970
Other receivables	97,329	83,401	83,487
Prepayments to suppliers	143,126	81,187	61,002
Rental deposits	29,812	24,707	29,104
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Right-of-return assets	1,537	2,366	3,466
Tax recoverable	6,031	8,791	8,523
Less: Impairment of other receivables	(6,963)	(6,049)	(4,744)
Total	674,257	518,385	548,511

Our prepayments, other receivables and other assets decreased from RMB674.3 million as of December 31, 2023 to RMB518.4 million as of December 31, 2024, primarily due to (i) a decrease of RMB75.1 million in certificates of deposit resulting from the decrease of time deposits within one year, (ii) a decrease of RMB61.9 million in prepayments to suppliers primarily due to changes in the advance-payment policies with two suppliers, and (iii) a decrease of RMB13.9 million in other receivables resulting from the decrease of receivables from suppliers attributable to our enhanced collection efforts.

Our prepayments, other receivables and other assets increased from RMB518.4 million as of December 31, 2024 to RMB548.5 million as of December 31, 2025, primarily attributable to (i) an increase of RMB69.9 million in value-added tax recoverable, reflecting higher input VAT arising from the purchase of our new office premises, and (ii) an increase of RMB[REDACTED] in deferred [REDACTED] in relation to the [REDACTED].

As of April 30, 2026, approximately RMB169.5 million, or 30.6% of our prepayments, other receivables and other assets as of December 31, 2025 were subsequently settled.

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Cash and Cash Equivalents

Our cash and cash equivalents consist of cash and bank balances which are not pledged and are not subject to any restrictions. Our cash and cash equivalents during the Track Record Period were denominated in Renminbi, U.S. dollars and Hong Kong dollars. Our cash and cash equivalents decreased from RMB2,290.0 million as of December 31, 2023 to RMB859.5 million as of December 31, 2024, and further increased to RMB1,012.9 million as of December 31, 2025, which was mainly contributed by the acquisition of Hairology Group.

Trade and Bills Payables

Our trade and bills payables primarily represent the outstanding balances due to our suppliers. Our trade and bills payables are non-interest-bearing and we are typically granted a credit term of 30 to 90 days upon receipt of VAT invoices.

Our trade and bills payables increased from RMB1,158.1 million as of December 31, 2023 to RMB1,476.6 million as of December 31, 2024, mainly due to an increase of RMB364.2 million in bill payables, as we negotiated payment terms with eight suppliers and utilized bills to settle our payment more frequently. Our trade and bills payables increased from RMB1,476.6 million as of December 31, 2024 to RMB1,591.7 million as of December 31, 2025, primarily attributable to an increase of RMB262.9 million in trade payables as a result of our increased procurement which was in line with our business expansion.

The following table sets forth an aging analysis of our trade and bills payables, based on the invoice date, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	1,135,656	1,464,877	1,572,790
Over one year	22,460	11,683	18,894
Total	1,158,116	1,476,560	1,591,684

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

	Year ended December 31,		
	2023	2024	2025
Trade and bills payables turnover days ⁽¹⁾	68	73	77

Note:

- (1) Calculated as the average of the opening and closing balances of trade and bills payables for the year divided by cost of sales for the relevant year, multiplied the number of days for the relevant year (being 365 days for 2023, 2024 and 2025).

In 2023, 2024 and 2025, our trade and bills payables turnover days were 68 days, 73 days and 77 days, respectively. Our trade and bills payables turnover days increased during the Track Record Period, which was in line with the increased balance of our trade and bills payables.

As of April 30, 2026, approximately RMB1,366.6 million, or 85.9% of our trade and bills payables as of December 31, 2025 had been settled.

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Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payroll and welfare payable, mainly representing the salaries, bonuses and other benefit expenses payable by us, (ii) other deposits, mainly representing the deposits we received for our rental services, (iii) accrued expenses, mainly representing expenses relating to promotion, logistics and utility services, (iv) other payables, mainly representing the fees we collect on behalf of vendors on our digital marketplace, and (v) payable for purchase of property, plant and equipment.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	130,146	127,266	226,502
Other deposits	79,736	77,024	83,785
Accrued expenses	40,265	38,736	59,086
Other payables	40,286	36,827	80,249
Payable for purchase of property, plant and equipment	135,464	58,118	91,076
Valued-added tax recognized in relation to the contract liabilities	23,082	20,341	26,102
Leases payment and property management fee payables	97,135	50,729	27,915
Restricted shares repurchase obligations	117,834	59,804	28,073
Other tax payables	40,687	48,137	31,521
Rental deposits from sublease contracts	13,033	12,526	12,692
Rental received in advance	980	5,174	5,299
Refund liabilities	2,201	3,227	5,142
Consideration payable for acquisition of non-controlling interests in subsidiaries	—	313,471	—
Total	720,849	851,380	677,442

Our other payables and accruals increased by 18.1% from RMB720.8 million as of December 31, 2023 to RMB851.4 million as of December 31, 2024, primarily due to an increase of RMB313.5 million in consideration payable for acquisition of non-controlling interests in subsidiaries, mainly in relation to the acquisition of minority equity interests of Leyou Group, partially offset by (i) a decrease of RMB77.3 million in payable for purchase of property, plant and equipment attributable to the progress payments made for the construction of North China Smart Logistics Park, (ii) a decrease of RMB58.0 million in restricted shares repurchase obligations arising from the vesting of certain Restricted Shares under our 2022 Restricted Share Incentive Scheme, and (iii) a decrease of RMB46.4 million in leases payment and property management fee payables due to reduced rentals from approximately 117 stores in 2024.

Our other payables and accruals decreased by 20.4% from RMB851.4 million as of December 31, 2024 to RMB677.4 million as of December 31, 2025, primarily attributable to a decrease of RMB313.5 million in consideration payable for acquisition of non-controlling interests in subsidiaries, as a result of the settlement of consideration for the acquisition of minority equity interest of Leyou Group.

As of April 30, 2026, approximately RMB477.1 million, or 70.4% of our other payables and accruals as of December 31, 2025 were subsequently settled.

Contract Liabilities

Contract liabilities primarily represent advances received from our customers for our services. Our contract liabilities decreased from RMB251.6 million as of December 31, 2023 to RMB217.3 million as of December 31, 2024, mainly resulting from decreased sales of our children’s play zone services as eight stores which offered children’s play zone services closed in the fourth quarter of 2023 with the financial impact of those closures fully reflected in 2024,

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as well as the closure of another seven stores which offered children’s play zone services in 2024. Our contract liabilities increased to RMB525.0 million as of December 31, 2025, mainly as a result of acquisition of Hairology Group.

As of April 30, 2026, approximately RMB266.8 million, or 50.8% of our contract liabilities as of December 31, 2025 had been recognized as revenue.

See Note 26 to the Accountants’ Report set out in Appendix I to this document for more details.

Lease Liabilities

Our lease liabilities mainly represent the amount to be paid by us as the lessee for the leases of premises of our stores, office buildings and warehouses. The following table sets forth the carrying amount of our lease liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current	544,889	489,268	437,123
Non-current	1,497,249	1,144,898	988,294
Total	2,042,138	1,634,166	1,425,417

Our lease liabilities decreased from RMB2,042.1 million as of December 31, 2023 to RMB1,634.2 million as of December 31, 2024, and further decreased to RMB1,425.4 million as of December 31, 2025, primarily due to the regular settlement of rents over the lease terms.

The table below sets forth the maturity profile of our lease liabilities and the number of corresponding lease agreements as of the dates indicated:

	As of December 31,					
	2023		2024		2025	
	RMB'000		RMB'000		RMB'000	
Within one year	544,889	763	489,268	789	437,122	1,081
After one year but within five years	1,201,032	1,587	976,723	1,488	864,194	1,599
After five years	296,217	496	168,175	329	124,100	133
Total	2,042,138	2,846	1,634,166	2,606	1,425,416	2,813

Convertible Bonds

On July 28, 2023, we issued the 2023 Convertible Bonds, representing 10,390,000 convertible bonds with a principal amount of RMB1,039.0 million. The conversion period of the 2023 Convertible Bonds commenced on the first trading day following the six-month anniversary of their issuance and continued until their maturity date. As of December 31, 2023, the convertible bonds were presented by our management in liabilities of RMB991.3 million considering our Company’s obligation to redeem the 2023 Convertible Bonds. On October 25, 2024, the Board resolved to exercise its conditional redemption rights to redeem all the remaining outstanding 2023 Convertible Bonds at face value plus accrued interests. The 2023 Convertible Bonds were delisted from the Shenzhen Stock Exchange on November 26, 2024. See “History, Development and Corporate Structure — Major Share Capital Changes and Development of Our Company — Major Shareholding Changes after our Listing on the Shenzhen Stock Exchange — Issuance of Convertible Bonds and the Redemption.”

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NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	April 30,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
				(Unaudited)
Current Assets				
Inventories	1,119,582	927,343	902,461	942,103
Trade receivables	84,190	81,963	99,365	85,662
Prepayments, other receivables and other assets	674,257	518,385	548,511	511,107
Financial assets at fair value through profit or loss	905,260	1,969,374	2,030,951	2,293,836
Pledged deposits	158,421	512,488	315,177	161,858
Restricted cash and time deposit	23,688	26,346	244,248	118,513
Cash and cash equivalents	2,290,005	859,530	1,012,889	1,199,643
Total current assets	5,255,403	4,895,429	5,153,602	5,312,722
Current Liabilities				
Trade and bills payable	1,158,116	1,476,560	1,591,684	1,811,368
Other payables and accruals	720,849	851,380	677,442	527,174
Contract liabilities	251,607	217,250	524,996	526,652
Interest-bearing bank borrowings	139,546	151,726	467,423	849,160
Lease liabilities	544,889	489,268	437,123	408,256
Tax payable	40,311	25,580	50,719	26,847
Total current liabilities	2,855,318	3,211,764	3,749,387	4,149,457
Net current assets	2,400,085	1,683,665	1,404,215	1,163,265

We had net current assets of RMB1,163.3 million as of April 30, 2026, consisting of current assets of RMB5,312.7 million and current liabilities of RMB4,149.5 million, which represented a decrease of RMB241.0 million from our net current assets of RMB1,404.2 million as of December 31, 2025. This decrease was primarily attributable to (i) an increase of RMB381.7 million in interest-bearing bank borrowings, (ii) a decrease of RMB125.7 million in restricted cash and time deposits, and (iii) an increase of RMB219.7 million in trade and bills payable, which were partially offset by (i) an increase of RMB186.8 million in cash and cash equivalents; (ii) an increase of RMB262.9 million in financial assets at fair value through profit or loss as we purchased certain wealth management products and (iii) the decrease of RMB150.3 million in other payables and accruals.

We had net current assets of RMB1,404.2 million as of December 31, 2025, consisting of current assets of RMB5,153.6 million and current liabilities of RMB3,749.4 million, which represented a decrease of RMB279.5 million from our net current assets of RMB1,683.7 million as of December 31, 2024. This decrease was primarily due to (i) an increase of RMB315.7 million in interest-bearing bank borrowings, (ii) an increase of RMB307.7 million in contract liabilities, and (iii) a decrease of RMB197.3 million in pledged deposits mainly as they reached maturity, which were partially offset by an increase of RMB217.9 million in restricted cash and time deposits.

We had net current assets of RMB1,683.7 million as of December 31, 2024, consisting of current assets of RMB4,895.4 million and current liabilities of RMB3,211.8 million, which represented a decrease of RMB716.4 million from our net current assets of RMB2,400.1 million as of December 31, 2023. This decrease was primarily due to (i) a decrease of RMB1,430.5 million in cash and cash equivalents mainly as we purchased wealth management products to improve the efficiency of our capital deployment, (ii) an increase of RMB318.4 million in trade and bills payables arising from our increased payment through bills, and (iii) a decrease of RMB192.2 million in inventories mainly as a result of the implementation and continued rollout of our “shared inventory” strategy and automatic replenishment system introduced in 2023, which were partially offset by (i) an increase of RMB1,064.1 million in financial assets at FVTPL mainly due to the elevated fair value of wealth management

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products we purchased, and (ii) an increase of RMB354.1 million in pledged deposits primarily because we adopted bank-accepted bills as a form of settlement to optimize the efficiency of our capital use.

As of December 31, 2023, we had net current assets of RMB2,400.1 million, consisting of current assets of RMB5,255.4 million and current liabilities of RMB2,855.3 million.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bond financing and bank borrowings. As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB2,290.0 million, RMB859.5 million and RMB1,012.9 million, respectively.

Cash Flows

The following table sets forth certain selected information from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	803,873	1,179,335	1,437,847
Net cash flows used in investing activities	(1,199,022)	(1,530,796)	(1,841,700)
Net cash flows from/(used in) financing activities	1,060,243	(1,080,507)	560,415
Net increase/(decrease) in cash and cash equivalents	665,094	(1,431,968)	156,562
Cash and cash equivalents at the beginning of year	1,623,733	2,290,005	859,530
Effect of foreign exchange differences, net	1,178	1,493	(3,203)
Cash and cash equivalents at the end of year	2,290,005	859,530	1,012,889

Operating Activities

Cash flows from operating activities consist of profit or loss before income tax adjusted for (i) certain non-cash or non-operating activities related items, primarily including depreciation of property, plant and equipment, depreciation of right-of-use assets, finance costs, share-based payment expense, fair value gains of financial assets at fair value through profit or loss, gain on disposal of financial assets at fair value through profit or loss and gains on disposal of items of right-of-use, and (ii) changes in working capital. We derive our cash inflow mainly from operating activities through the sale of our maternal, infant and child products, the provision of child development and parenting services, and the sale and provision of scalp and hair care products and services. Cash outflow from operating activities primarily comprises payments to suppliers for our procurement, and other operating expenses incurred during our daily operations. We recorded net operating cash inflow throughout the Track Record Period.

Our net cash generated from operating activities was RMB1,437.8 million for year ended December 31, 2025. This net cash inflow was primarily due to (i) profit before tax of RMB419.2 million, as adjusted to reflect non-cash or non-operating items, which primarily comprise depreciation of right-of-use assets of RMB471.7 million, depreciation of property, plant and equipment of RMB149.0 million and finance costs of RMB114.8 million, (ii) withdrawal of restricted cash and pledged deposits of RMB200.2 million and (iii) an increase in trade and bills payables of RMB107.2 million. This net cash inflow was partially offset by (i) income tax paid of RMB80.7 million, and (ii) a decrease in prepayments, other receivables and other assets of RMB16.9 million.

Our net cash generated from operating activities was RMB1,179.3 million for the year ended December 31, 2024. This net cash inflow was primarily attributable to (i) profit before tax of RMB254.7 million, as adjusted to reflect non-cash or non-operating items, which primarily comprise depreciation of right-of-use assets of RMB491.4 million, depreciation of property, plant and equipment of RMB168.0 million and finance costs of RMB131.5 million, (ii) an increase in trade and bills payables of RMB322.1 million, mainly due to an increase of

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RMB364.2 million in bill payables, as we negotiated payment terms with some suppliers and utilized bank acceptance bills to settle our payment more frequently, (iii) a decrease in inventories of RMB198.7 million, resulting from our “shared inventory” strategy which improved our inventory turnover days, and (iv) a decrease in prepayments, other receivables and other assets of RMB79.2 million mainly due to a decrease of RMB75.1 million in time deposits. This net cash inflow was partially offset by (i) placement of restricted cash and pledged deposits of RMB356.7 million, (ii) income tax paid of RMB74.9 million, and (iii) a decrease in contract liability of RMB34.4 million mainly as a result of declined sales of children’s play zone services.

Our net cash generated from operating activities was RMB803.9 million for the year ended December 31, 2023. This net cash inflow was primarily attributable to (i) profit before tax of RMB146.1 million, as adjusted to reflect non-cash or non-operating items, which primarily comprise depreciation of right-of-use assets of RMB484.8 million, depreciation of property, plant and equipment of RMB183.0 million and finance costs of RMB120.3 million; (ii) a withdrawal of restricted cash and pledged deposits of RMB158.7 million, and (iii) a decrease in inventories of RMB152.5 million, resulting from our “shared inventory” strategy which improved our inventory turnover days. This net cash inflow was partially offset by (i) a decrease in trade and bills payables of RMB367.8 million, (ii) a decrease in contract liability of RMB97.9 million mainly as a result of declined sales of children’s play zone services, and (iii) income tax paid of RMB29.4 million.

Investing Activities

Our cash used in investing activities mainly comprises our cash used in purchases of financial assets at fair value through profit and loss, items of property, plant and equipment intangible assets, payment for leasehold land, placement of time deposits, acquisition of subsidiaries, investment in a joint venture and disposal of subsidiaries. Our cash generated from investing activities mainly comprises proceeds from disposal of financial assets at fair value through profit or loss and disposal of items of property, plant and equipment and intangible assets, withdrawal of time deposits and interest received.

Our net cash used in investing activities in 2025 was RMB1,841.7 million, primarily due to (i) purchases of financial assets at fair value through profit and loss of RMB14,226.5 million, (ii) acquisition of subsidiaries of RMB1,656.7 million and (iii) purchases of items of property, plant and equipment of RMB480.7 million.

Our net cash used in investing activities in 2024 was RMB1,530.8 million, primarily due to (i) purchases of financial assets at fair value through profit and loss of RMB12,073.4 million; and (ii) purchases of items of property, plant and equipment of RMB608.5 million. This net cash outflow was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB11,063.9 million.

Our net cash used in investing activities in 2023 was RMB1,199.0 million, primarily due to (i) purchases of financial assets at fair value through profit and loss of RMB3,266.0 million; and (ii) acquisition of subsidiaries of RMB1,021.5 million. This net cash outflow was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB3,448.4 million.

Financing Activities

Our cash used in financing activities mainly comprises lease payments, repayment of interest-bearing bank borrowings and other loans, acquisition of non-controlling interests, dividends paid, interest paid, repurchase of unvested restricted shares, payments for rental deposits and payment of transaction costs related to convertible bonds. Our cash generated from financing activities mainly comprises proceeds from issue of convertible bonds, new interest-bearing bank borrowings and other loans, proceeds from issue of Shares, receipt of rental deposits and capital injection from non-controlling shareholders.

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Our net cash generated from financing activities in 2025 was RMB560.4 million, primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB2,215.3 million, and capital injection from non-controlling shareholders of RMB236.5 million, representing the capital injection by minority shareholders of Jiangsu Xingsiyu, which was partially offset by (i) repayment of interest-bearing bank borrowings of RMB860.0 million, (ii) lease payments of RMB569.3 million, and (iii) acquisition of non-controlling interests of RMB318.0 million in relation to the acquisition of minority interests of Leyou International.

Our net cash used in financing activities in 2024 was RMB1,080.5 million, primarily attributable to (i) lease payments of RMB436.1 million; and (ii) repayment of interest-bearing bank borrowings and other loans of RMB334.9 million, which were partially offset by (i) new interest-bearing bank borrowings and other loans of RMB70.3 million; and (ii) proceeds from issue of shares of RMB26.0 million.

Our net cash generated from financing activities in 2023 was RMB1,060.2 million, primarily attributable to (i) proceeds from issue of convertible bonds of RMB1,031.0 million; and (ii) new interest-bearing bank borrowings and other loans of RMB834.7 million, which were partially offset by (i) repayment of interest-bearing bank borrowings and other loans of RMB362.0 million; and (ii) lease payments of RMB344.1 million.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations, bank borrowings and bond financing.

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

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness primarily consisted of (i) interest-bearing bank and other borrowings, (ii) lease liabilities, and (iii) convertible bonds. During the Track Record Period, there was no non-trade amounts due to related parties under the indebtedness.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Current				
Interest-bearing bank borrowings	139,546	151,726	467,423	849,160
Lease liabilities	544,889	489,268	437,123	408,256
	684,435	640,994	904,546	1,257,416
Non-current				
Interest-bearing bank and other borrowings	919,362	837,676	1,879,448	1,562,754
Convertible bonds	991,281	—	—	—
Lease liabilities	1,497,249	1,144,898	988,294	920,872
	3,407,892	1,982,574	2,867,742	2,483,626
Total	4,092,327	2,623,568	3,772,288	3,471,042

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Our Directors confirm that there has been no material change in our indebtedness position from April 30, 2026 to the Latest Practicable Date. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date.

Interest-Bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings represent bank borrowings, which are denominated in Renminbi. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material difficulty in obtaining bank borrowings in China. Our Directors confirm that we had no material defaults in payment of our borrowings during the Track Record Period and up to the Latest Practicable Date. The following table sets forth a breakdown of our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	April 30,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
				(unaudited)
Current				
Current portion of Long-term bank loans				
— secured	108,196	108,286	390,811	297,963
Current portion of Long-term bank loans				
— unsecured	31,350	43,440	71,610	—
Short-term bank loans — unsecured	—	—	5,002	551,197
	139,546	151,726	467,423	849,160
Non-current				
Bank loans — secured	804,224	766,017	1,879,448	1,562,754
Bank loans — unsecured	115,138	71,659	—	—
	919,362	837,676	1,879,448	1,562,754
Total	1,058,908	989,402	2,346,871	2,411,914

Our secured bank and other borrowings accounted for 86.2%, 88.4%, 96.7% and 77.1% of our total bank and other borrowings as of December 31, 2023, 2024 and 2025 and April 30, 2026, respectively. The interest rates of these borrowings primarily ranged from 2.55% to 4.20%. On the other hand, unsecured bank and other borrowings accounted for 13.8%, 11.6%, 3.3% and 22.9% of our total bank and other borrowings as of December 31, 2023, 2024 and 2025 and April 30, 2026, respectively. The interest rates of these borrowings primarily ranged from 2.55% to 3.3%.

As of April 30, 2026, we had unutilized bank facilities of RMB2,144.2 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2023 and 2024 and 2025 and April 30, 2026.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, our capital expenditures primarily consisted of expenditures related to the purchases of items of property, plant and equipment, purchases of intangible assets and payment for leasehold land. The payment for the purchases of items of

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property, plant and equipment, purchases of intangible assets and payment for leasehold land amounted to RMB361.9 million, RMB630.7 million and RMB518.9 million in 2023, 2024 and 2025, respectively.

We intend to fund our planned capital expenditures through a combination of the [REDACTED] from the [REDACTED] as well as cash generated from operating activities. See “Future Plans and [REDACTED].”

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, financial condition and results of operations, economic conditions in China and changes in the regulatory environment in China. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

Commitments

The following table sets forth a breakdown of our commitments as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Properties, plant and equipment	204,517	255,443	63,959
Equity investment	—	113,400	3,300
Total	204,517	368,843	67,259

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not our related parties and the market price during the relevant year. During the Track Record Period, our transactions with related parties mainly comprised (i) sale of goods or services and, (ii) purchase of goods or services. See Note 40 to the Accountants’ Report in Appendix I to this document for details of transactions carried out with our related parties during the Track Record Period. Upon the completion of this [REDACTED], we will comply with the relevant Listing Rules and adopt a more prudent approach when reviewing and engaging related party transactions.

Our Directors are of the view that each of the related party transactions set out in Note 40 to the Accountants’ Report set out in Appendix I to this document was conducted on an arm’s length basis and would not distort our track record results or cause our historical results to become non-reflective of our future performance.

During the Track Record Period, our outstanding balances with related parties were all trade in nature. During the Track Record Period and up to the Latest Practicable Date, we obtained certain bank loans which were secured by guarantees provided by Mr. Wang, our Single Largest Shareholder and/or his close associates. As of the Latest Practicable Date, saved for the outstanding balance of the Jiangsu Xingsiyu Loan, of which RMB323.75 million were guaranteed by Mr. Wang and Five Star Holdings, the rest of the guarantees have been released, and/or replaced with corporate guarantees or replacement security given by one or more members of our Group. See “Relationship With Our Single Largest Shareholders Group — Independence from Our Single Largest Shareholders Group — Financial Independence.”

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KEY FINANCIAL RATIOS

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

	Year ended December 31,		
	2023	2024	2025
Profitability ratios			
Gross profit margin (%) ⁽¹⁾	29.2	29.6	29.3
Net profit margin (%) ⁽²⁾	1.4	2.2	3.5
Return on equity (%) ⁽³⁾	3.9	5.6	8.9
	As of December 31,		
	2023	2024	2025
Liquidity ratios			
Current ratio ⁽⁴⁾	1.8x	1.5x	1.4x
Quick ratio ⁽⁵⁾	1.4x	1.2x	1.1x
Capital adequacy ratio			
Debt-to-asset ratio (%) ⁽⁶⁾	65.7	56.8	62.7

Notes:

- (1) Gross profit margin equals gross profit divided by total revenue for the year multiplied by 100%.
- (2) Net profit margin equals profit and total comprehensive income for the year divided by total revenue for the year multiplied by 100%.
- (3) Return on equity is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (4) Current ratio is calculated based on total current assets divided by total current liabilities.
- (5) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the end of the relevant year.
- (6) Debt-to-asset ratio is calculated based on total liabilities divided by total assets multiplied by 100%.

Gross Profit Margin and Net Profit Margin

See “— Year to Year Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit during the respective years.

Return on Equity

Our return on equity increased from 3.9% in 2023 to 5.6% in 2024, and further increased to 8.9% in 2025, primarily due to the increase in our net profit in 2024 and 2025.

Current Ratio

Our current ratio decreased from 1.8 as of December 31, 2023 to 1.5 as of December 31, 2024, primarily due to the decrease in cash and cash equivalents. Our current ratio remained relatively stable at 1.4 as of December 31, 2025 compared to 1.5 as of December 31, 2024.

Quick Ratio

Our quick ratio decreased from 1.4 as of December 31, 2023 to 1.2 as a result of the decrease in cash and cash equivalents. Our quick ratio remained relatively stable at 1.1 as of December 31, 2025, compared to 1.2 as of December 31, 2024.

Debt-to-asset ratio

Our debt-to-asset ratio decreased from 65.7% as of December 31, 2023 to 56.8% as of December 31, 2024, primarily due to the decrease in lease liabilities. Our debt-to-asset ratio increased from 56.8% as of December 31, 2024 to 62.7% as of December 31, 2025 as a result of the increase in bank and other borrowings.

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FINANCIAL RISKS DISCLOSURES

We are exposed to a variety of financial risks, including interest rate risk, foreign currency risk, credit risk, liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For further details, see Note 43 to the Accountants’ report in Appendix I to this document. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks.

DIVIDENDS AND DIVIDEND POLICY

We are incorporated under the laws of the PRC. We do not currently have a formal dividend policy or a predetermined dividend payout ratio. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. In 2023, 2024 and 2025, our dividends paid amounted to nil, RMB77.4 million and RMB87.6 million, respectively. Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years’ accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. Our PRC companies will consider conducting the dividend payments as such companies are in an accumulated profit position. As of December 31, 2025, our Company had retained profits of RMB236.7 million. Our retained profits could be distributed subject to current articles of association of the Company and the PRC Company Law.

On May 13, 2026, our Board of Directors has approved the final dividend of RMB0.55 per 10 shares (tax inclusive) for the year ended December 31, 2025, totalling approximately RMB69,031,000 in respect of the year ended December 31, 2025. The dividend was fully paid in cash in May 2026.

RESULTS OF OPERATIONS OF LEYOU GROUP

The following is a discussion of Leyou Group’s results of operation for the period from January 1, 2023 to August 10, 2023, the acquisition date.

Description of Key Items of Consolidated Statements of Profit or Loss

The following table sets forth the statements of profit or loss of Leyou Group for the period indicated, which is derived from the statements of profit or loss of Leyou Group set out in the Accountants’ Report included in Appendix I to this document:

	For the period from January 1 to August 10, 2023 <i>RMB’000</i>
Revenue	1,033,642
Cost of sales	(686,586)
Gross profit	347,056
Other income and gains	12,018
Selling and distribution expenses	(247,143)
Administrative expenses	(52,529)
Impairment losses on financial assets, net	249
Other expenses	(3,692)
Finance costs	(7,793)
Profit before tax	48,166
Income tax expense	(13,618)
Profit for the period	34,548

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Revenue

Leyou Group recorded revenue of RMB1,033.6 million for the period from January 1, 2023 to August 10, 2023.

Cost of Sales

Leyou Group recorded cost of sales of RMB686.6 million for the period from January 1, 2023 to August 10, 2023.

Gross Profit and Gross Profit Margin

As a result of the foregoing, for the period from January 1, 2023 to August 10, 2023, gross profit was RMB347.1 million. Gross profit margin represents gross profit divided by revenue, expressed as a percentage. For the period from January 1, 2023 to August 10, 2023, gross profit margin was 33.6%.

Other Income and Gains

Leyou Group recorded other income and gains of RMB12.0 million for the period from January 1, 2023 to August 10, 2023, mainly consisting of (i) RMB3.1 million of bank interest income, (ii) RMB2.8 million of government grants, and (iii) RMB1.6 million of net gains on early termination of leases.

Selling and Distribution Expenses

Leyou Group recorded selling and distribution expenses of RMB247.1 million for the period from January 1, 2023 to August 10, 2023.

Administrative Expenses

Leyou Group recorded administrative expenses of RMB52.5 million for the period from January 1, 2023 to August 10, 2023.

Net Impairment Profits or Losses Profits on Financial Assets

Leyou Group recorded net impairment profits on financial assets of RMB0.2 million for the period from January 1, 2023 to August 10, 2023.

Other Expenses

Leyou Group recorded other expenses of RMB3.7 million for the period from January 1, 2023 to August 10, 2023.

Finance Costs

Leyou Group recorded finance costs of RMB7.8 million for the period from January 1, 2023 to August 10, 2023.

Income Tax Expense

Leyou Group recorded income tax expense of RMB13.6 million for the period from January 1, 2023 to August 10, 2023.

Profit for the Year/Period and Net Profit Margin

As a result of the foregoing, Leyou Group recorded profit of RMB34.5 million for the period from January 1, 2023 to August 10, 2023. Leyou Group recorded a net profit margin of 3.3% for the period from January 1, 2023 to August 10, 2023.

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Discussion of Key Items of Consolidated Statements of Financial Position

The following table sets forth statements of the financial position of Leyou Group as of the date indicated:

	As at August 10, 2023 RMB'000
NON-CURRENT ASSETS	
Property, plant and equipment	37,730
Right-of-use assets	213,410
Goodwill	—
Other intangible assets	777
Other non-current assets	81,247
Deferred tax assets	4,940
Total non-current assets	338,104
CURRENT ASSETS	
Inventories	326,661
Trade receivables	20,522
Prepayments, other receivables and other assets	161,999
Financial assets at fair value through profit or loss	87,240
Restricted cash	4,965
Pledged deposits	100,623
Cash and cash equivalents	18,463
Total current assets	720,473
CURRENT LIABILITIES	
Trade and bills payables	360,222
Contract liabilities	40,271
Other payables and accruals	117,864
Lease liabilities	82,594
Tax payable	18,031
Total current liabilities	618,982
NET CURRENT (LIABILITIES)/ASSETS	101,491
TOTAL ASSETS LESS CURRENT LIABILITIES	439,595
NON-CURRENT LIABILITIES	
Lease liabilities	121,083
Deferred tax liabilities	2,091
Deferred income	844
Other non-current liabilities	4,108
Total non-current liabilities	128,126
NET ASSETS	311,469
EQUITY	
Equity attributable to owners of the parent	
Paid-in capital	417,854
Deficits	(106,385)
Total equity	311,469

Right-of-use Assets

Right-of-use assets of Leyou Group was RMB213.4 million as of August 10, 2023.

Other Non-current Assets

Leyou Group’s other non-current assets represent rental deposits, loans to a related party, time deposits and others. Other non-current assets of Leyou Group was RMB81.2 million as of August 10, 2023, consisting of (i) RMB60.0 million of time deposits, (ii) RMB18.6 million of rental deposits, and (iii) RMB2.7 million of others.

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Inventories

Leyou Group’s inventories primarily consist of consumables and finished goods. The following table sets forth a breakdown of Leyou Group’s inventories as of the date indicated:

	As of 10 August, 2023 <i>RMB'000</i>
Consumables	6
Finished goods	352,663
	352,669
Impairment	(26,008)
Total	326,661

Inventories of Leyou Group was RMB326.7 million as of August 10, 2023, consisting of RMB352.7 million of finished goods and RMB6 thousand of consumables, with an impairment provision of RMB26.0 million.

Trade Receivables

The trade receivables of Leyou Group are usually generated from the sales to e-commerce platforms and customers whose sales proceeds are collected by shopping malls which are typically settled within 15 days after the settlement date. The trade receivables for Leyou Group were RMB20.5 million as of August 10, 2023.

Prepayments, Other Receivables and Other Assets

Leyou Group’s prepayments, other receivables and other assets consist of other receivables, due from related parties, prepayments, value-added tax recoverable and rental deposits.

Prepayments, other receivables and other assets of Leyou Group was RMB162.0 million as of August 10, 2023, mainly consisting of (i) RMB77.5 million of prepayments, (ii) RMB32.3 million of due from related parties, and (iii) RMB21.4 million of value-added tax recoverable.

Trade and Bills Payables

The following table sets forth a breakdown of Leyou Group’s trade and bills payables as of the date indicated:

	As of 10 August, 2023 <i>RMB'000</i>
Trade payables	242,673
Bills payables	117,549
Total	360,222

Trade and bills payables was RMB360.2 million as of August 10, 2023, consisting of RMB242.7 million of trade payables and RMB117.5 million of bills payables.

The following table sets forth an aging analysis of Leyou Group’s trade and bills payables as of the date indicated:

	As of 10 August, 2023 <i>RMB'000</i>
Within 1 year	336,329
Over 1 year	23,893
Total	360,222

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Other Payables and Accruals

Leyou Group’s other payables and accruals consist of (i) payroll and welfare payable, (ii) other deposits, (iii) accrued expenses, (iv) payable for purchase of property, plant and equipment, (v) value-added tax recognized in relation to the contract liabilities, (vi) other tax payables, (vii) due to related parties, (viii) deposits from franchisees, (ix) provision and (x) other payables.

	As of 10 August, 2023 <i>RMB'000</i>
Payroll and welfare payable	44,813
Other deposits	12,137
Accrued expenses	9,993
Payable for purchase of property, plant and equipment, ...	5,581
Value-added tax recognized in relation to the contract liabilities	3,605
Other tax payables	2,164
Due to related parties	2,067
Deposits from franchisees	1,979
Provision	337
Other payables	35,188
Total	117,864

Other payables and accruals of Leyou Group was RMB117.9 million as of August 10, 2023, mainly consisting of (i) RMB44.8 million of payroll and welfare payable, (ii) RMB35.2 million of other payables, and (iii) RMB12.1 million of other deposits.

Balance with Related Parties

During the pre-acquisition period, Leyou Group entered into transactions with its certain related parties. See Note 2.30 in III to the Accountants’ Report in Appendix I to this document for details of transactions carried out with its related parties.

CASH FLOWS

The following table sets forth certain selected information of cash flows of Leyou Group for the period indicated:

	For the period from January 1 to August 10, 2023 <i>RMB'000</i>
Net cash flows from operating activities	17,241
Net cash flows from investing activities	128,666
Net cash flows used in financing activities	(183,416)
Net decrease in cash and cash equivalents	(37,509)
Cash and cash equivalents at beginning of period	55,965
Cash and cash equivalents at end of period	18,463

Operating Activities

Leyou Group had net cash generated from operating activities was RMB17.2 million for the period from January 1, 2023 to August 10, 2023. This net cash inflow was primarily attributable to (i) profit before tax of RMB48.2 million, as adjusted to reflect non-cash or non-operating items, which primarily comprise depreciation of right-of-use assets of RMB64.7 million, depreciation of property, plant and equipment of RMB12.2 million and finance costs of RMB7.8 million; (ii) a decrease in inventories of RMB79.3 million; and (iii) a decrease in restricted cash and pledged deposits of RMB19.7 million. This net cash inflow was partially offset by (i) a decrease in trade and bills payables of RMB127.3 million; (ii) a decrease in other payables and accruals of RMB126.4 million; (iii) a decrease in contract liabilities of RMB23.9 million; and (iv) income tax paid of RMB14.1 million.

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Investing Activities

Leyou Group had net cash generated from investing activities for the period from January 1, 2023 to August 10, 2023 was RMB128.7 million, primarily attributable to (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB445.1 million; (ii) withdrawal of loans to related parties of RMB82.4 million; and (iii) proceeds from disposal of items of property, plant and equipment and intangible assets of RMB1.8 million. This net cash inflow was partially offset by (i) purchases of financial assets at fair value through profit or loss of RMB377.0 million; (ii) purchases of items of property, plant and equipment of RMB6.7 million; and (iii) purchases of intangible assets of RMB0.1 million.

Financing Activities

Leyou Group had net cash used in financing activities for the period from January 1, 2023 to August 10, 2023 was RMB183.4 million, primarily due to (i) repayment of loans from related parties of RMB104.2 million; and (ii) lease payments of RMB79.2 million.

RESULTS OF OPERATIONS OF HAIROLOGY GROUP

This following is a discussion of Hairology Group’s results of operation for (i) the year ended December 31, 2023, (ii) the year ended December 31, 2024, and (iii) the period from January 1, 2025 to July 4, 2025, the acquisition date.

Description of Key Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income of Hairology Group

The following table sets forth the statements of profit or loss and other comprehensive income of Hairology Group for the periods indicated, which is derived from the statements of profit or loss of Hairology Group set out in the Accountants’ Report included in Appendix I to this document:

	Year ended December 31,		For the period from January 1 to July 4,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	680,517	720,506	329,134
Cost of sales	(226,373)	(228,922)	(103,496)
Gross profit	454,144	491,584	225,638
Other income and gains	18,898	14,542	6,695
Selling and distribution expenses	(171,195)	(201,909)	(97,537)
Administrative expenses	(75,469)	(69,943)	(49,146)
Research and development expenses	(18,177)	(20,745)	(9,350)
Impairment losses on financial assets, net	(418)	(388)	526
Other expenses	(1,339)	(545)	(792)
Finance costs	(2,771)	(3,619)	(1,082)
Profit before tax	203,673	208,977	74,952
Income tax expense	(24,133)	(25,215)	(8,717)
Profit and total comprehensive income for the period	179,540	183,762	66,235

Revenue

	Year ended December 31,				For the period from January 1 to July 4,	
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Types of goods or services						
Sale of goods	360,396	53.0	396,737	55.1	173,978	52.9
Provision of scalp and hair care services	266,808	39.2	275,373	38.2	136,206	41.4
Others	53,313	7.8	48,396	6.7	18,950	5.8
Total	680,517	100	720,506	100	329,134	100

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For the years ended December 31, 2023, 2024 and the period from January 1 to July 4, 2025, Hairology Group recorded revenue of RMB680.5 million, RMB720.5 million and RMB329.1 million, respectively.

Revenue increased from RMB680.5 million in 2023 to RMB720.5 million in 2024, primarily attributable to the increase in sale of goods and provision of scalp and hair care services. Revenue derived from sale of goods increased from RMB360.4 million in 2023 to RMB396.7 million in 2024, primarily attributable to the growth of sales volume resulting from the expansion of our franchised stores. Revenue derived from provision of scalp and hair care services increased from RMB266.8 million in 2023 to RMB275.4 million in 2024, primarily because in 2024, Hairology Group expanded its online sales channel to WeChat mini-programs with discounted single-session vouchers which attracted more consumers.

Cost of Sales

Cost of sales remained relatively stable at RMB226.4 million and RMB228.9 million in 2023 and 2024, respectively. Hairology Group recorded cost of sales of RMB103.5 million for the period from January 1 to July 4, 2025.

Gross Profit and Gross Profit Margin

As a result of the foregoing, for the years ended December 31, 2023, 2024 and the period from January 1 to July 4, 2025, gross profit was RMB454.1 million, RMB491.6 million and RMB225.6 million, respectively. Gross profit margin represents gross profit divided by revenue, expressed as a percentage. In 2023, 2024 and the period from January 1 to July 4, 2025, gross profit margin was 66.7%, 68.2% and 68.6%, respectively.

Other Income and Gains

For the years ended December 31, 2023, 2024 and the period from January 1 to July 4, 2025, Hairology Group recorded other income and gains of RMB18.9 million, RMB14.5 million and RMB6.7 million, respectively. Other income and gains decreased by 23.1% from RMB18.9 million in 2023 to RMB14.5 million in 2024, primarily due to the decrease in government grants of RMB5.4 million as pursuant to the relevant policies, government grants granted to Hairology Group reduced in 2024.

Selling and Distribution Expenses

For the years ended December 31, 2023, 2024 and the period from January 1 to July 4, 2025, selling and distribution expenses were RMB171.2 million, RMB201.9 million and RMB97.5 million, respectively. Selling and distribution expenses increased from RMB171.2 million in 2023 to RMB201.9 million in 2024, primarily due to the increased staff costs as Hairology Group recruited more personnels to support the business expansion.

Administrative Expenses

For the years ended December 31, 2023, 2024 and the period from January 1 to July 4, 2025, administrative expenses were RMB75.5 million, RMB69.9 million and RMB49.1 million, respectively. Administrative expenses decreased by 7.3% from RMB75.5 million in 2023 to RMB69.9 million in 2024, primarily attributable to the improvement in the management efficiency.

Research and Development Expenses

For the years ended December 31, 2023, 2024 and the period from January 1 to July 4, 2025, research and development expenses were RMB18.2 million, RMB20.7 million and RMB9.4 million, respectively. Research and development expenses increased from RMB18.2 million in 2023 to RMB20.7 million in 2024, primarily due to the increase in staff costs as a result of arising labor input.

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Other Expenses

For the years ended December 31, 2023, 2024 and the period from January 1 to July 4, 2025, other expenses were RMB1.3 million, RMB0.5 million and RMB0.8 million, respectively. Other expenses decreased from RMB1.3 million in 2023 to RMB0.5 million in 2024, as the decrease in non-recurring expense.

Finance Costs

Finance costs primarily consist of interest on lease liabilities. For the years ended December 31, 2023, 2024 and the period from January 1 to July 4, 2025, finance costs were RMB2.8 million, RMB3.6 million and RMB1.1 million, respectively.

Finance costs increased from RMB2.8 million 2023 to RMB3.6 million in 2024, mainly due to the increase in interest on lease liabilities resulting from the continuous increase in the number of stores.

Income Tax Expense

Hairology Group recorded income tax expense of RMB24.1 million, RMB25.2 million and RMB8.7 million in 2023, 2024 and the period from January 1 to July 4, 2025, respectively.

Income tax expense increased from RMB24.1 million in 2023 to RMB25.2 million in 2024, primarily due to the increase in tax income which was in line with the revenue growth.

Impairment losses on financial assets, net

From January 1 to July 4, 2025, Hairology Group recorded reversal of net impairment loss on financial assets of RMB526 thousand. Hairology Group recorded net impairment loss on financial assets of RMB418 thousand and RMB388 thousand in 2023 and 2024, respectively.

Profit and Total Comprehensive Income for the Period and Net Profit Margin

As a result of the foregoing, Hairology Group recorded profit of RMB179.5 million, RMB183.8 million and RMB66.2 million in 2023, 2024 and the period from January 1 to July 4, 2025, respectively. Hairology Group recorded a net profit margin of 26.4%, 25.5% and 20.1% in 2023, 2024 and the period from January 1 to July 4, 2025, respectively.

Discussion of Key Items of Consolidated Statements of Financial Position

The following table sets forth statements of the financial position of Hairology Group as of the dates indicated:

	As at December 31,		As at July 4,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	22,579	26,927	27,129
Right-of-use assets	92,011	84,697	70,325
Goodwill	267,280	267,488	280,498
Other intangible assets	8,559	10,173	9,840
Equity investments designed at fair value through other comprehensive income	1,000	1,000	—
Other non-current assets	13,642	14,007	15,515
Deferred tax assets	954	846	2,487
Total non-current assets	406,025	405,138	405,794
CURRENT ASSETS			
Inventories	29,073	25,431	21,507
Trade receivables	9,686	6,101	6,391
Prepayments, other receivables and other assets	19,262	22,796	23,245
Financial assets at fair value through profit or loss	213,937	190,196	371,908
Restricted cash	350	70,014	48
Cash and cash equivalents	99,761	144,827	71,904
Total current assets	372,069	459,365	495,003

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	As at December 31,		As at July 4,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	7,224	6,915	2,206
Other payables and accruals.	165,057	170,918	177,843
Contract liabilities	325,629	300,213	294,632
Lease liabilities.	43,444	44,669	41,059
Tax payable	19,024	17,559	8,641
Total current liabilities	560,378	540,274	524,381
NET CURRENT LIABILITIES	(188,309)	(80,909)	(29,378)
TOTAL ASSETS LESS CURRENT LIABILITIES	217,716	324,229	376,416
NON-CURRENT LIABILITIES			
Lease liabilities.	51,885	44,363	32,603
Other non-current liabilities.	53,905	57,199	58,659
Total non-current liabilities	105,790	101,562	91,262
NET ASSETS	111,926	222,667	285,154

Goodwill

The carrying value of our goodwill remained relatively stable at RMB267.3 million, RMB267.5 million and RMB280.5 million as of December 31, 2023, 2024, and as of July 4, 2025, respectively.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss refer to wealth management products, which include structured deposits and guaranteed floating-return products.

Haiology Group's financial assets at fair value through profit or loss decreased by 11.1% from RMB213.9 million as of December 31, 2023 to RMB190.2 million as of December 31, 2024, primarily due to its prudent investment approach focusing on bank structured deposits with lower risks. Haiology Group's financial assets at fair value through profit or loss increased by 95.5% from RMB190.2 million as of December 31, 2024 to RMB371.9 million as of July 4, 2025, primarily due to its diversification into net asset value (NAV)-based wealth management products.

Other Payables and Accruals

Haiology Group's other payables and accruals consist of (i) payroll and welfare payable, (ii) deposits, (iii) accrued expenses, (iv) VAT recognized in relation to the contract liabilities, (v) dividends payable to non-controlling shareholders and (vi) other payables. The following table sets forth a breakdown of Haiology Group's other payables and accruals as of the dates indicated:

	As of 31 December,		As of 4 July,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	84,491	92,217	92,803
VAT recognised in relation to the contract liabilities . . .	7,552	5,759	5,603
Dividends payable to non-controlling shareholders	—	—	2,815
Other payables	28,034	32,592	42,326
Deposits	59,916	62,207	63,589
Accrued expenses	38,969	35,342	29,366
Total	218,962	228,117	236,502
For reporting purposes:			
Current portion	165,057	170,918	177,843
Non-current portion presented as other non-current liabilities	53,905	57,199	58,659
Total	218,962	228,117	236,502

Haiology Group's other payables and accruals remained relatively stable at RMB165.1 million, RMB170.9 million and RMB177.8 million as of December 31, 2023, 2024, and as of July 4, 2025, respectively.

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Contract Liabilities

The following table sets forth a breakdown of Hairology Group’s contract liabilities as of the dates indicated:

	As of 31 December,		As of 4 July,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advances received from customers			
Sales of services	302,073	288,625	280,655
Sales of goods	23,556	11,588	13,977
Total	325,629	300,213	294,632

Hairology Group’s contract liabilities decreased by 7.8% from RMB325.6 million as of December 31, 2023 to RMB300.2 million as of December 31, 2024, primarily due to (i) a decrease of RMB13.4 million in advances received from customers, and (ii) a decrease of RMB12.0 million in sales of services as the Chinese New Year fell in late January 2025, earlier than usual, prompting franchisees to begin their holiday break sooner and thus place fewer pre-holiday orders.

Hairology Group’s contract liabilities remained relatively stable at RMB300.2 million and RMB294.6 million as of December 31, 2024 and July 4, 2025, respectively.

Balance with Related Parties

During the pre-acquisition period, Hairology Group entered into transactions with certain related parties. See Note 2.30 in IV to the Accountants’ Report in Appendix I to this document for details of transactions carried out with its related parties.

The following table sets forth a breakdown of Hairology Group’s balances with related parties as of the dates indicated, all of which were in trade nature:

	As of 31 December,		As of 4 July,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	1,251	1,270	1,071
Trade payables	9	455	15
Other payables and accruals	—	3	3
Prepayments, other receivables and other assets	1,137	1,042	1,220

CASH FLOWS

The following table sets forth certain selected information of cash flows of Hairology Group for the periods indicated:

	Year ended December 31,		For the period from January 1 to July 4,
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	302,498	173,003	146,885
Net cash flows (used in)/from investing activities	(27,172)	780	(194,385)
Net cash flows used in financing activities	(275,813)	(128,717)	(25,423)
Net (decrease)/increase in cash and cash equivalents	(487)	45,066	(72,923)
Cash and cash equivalents at beginning of year/period	100,248	99,761	144,827
Cash and cash equivalents at end of year/period	99,761	144,827	71,904

Operating Activities

Hairology Group had net cash generated from operating activities was RMB146.9 million for the period from January 1, 2025 to July 4, 2025. This net cash inflow was primarily attributable to (i) profit before tax of RMB75.0 million, as adjusted to reflect non-cash or

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non-operating items, which primarily comprise depreciation of right-of-use assets of RMB24.0 million, depreciation of property, plant and equipment of RMB7.6 million and finance costs of RMB1.1 million; (ii) a decrease in restricted cash of RMB70.0 million; and (iii) an increase in other payables and accruals of RMB5.1 million; This net cash inflow was partially offset by (i) income tax paid of RMB19.3 million; and (ii) a decrease in contract liability of RMB10.9 million.

Hairology Group had net cash generated from operating activities was RMB173.0 million in 2024. This net cash inflow was primarily attributable to (i) profit before tax of RMB209.0 million, as adjusted to reflect non-cash or non-operating items, which primarily comprise depreciation of right-of-use assets of RMB52.1 million, depreciation of property, plant and equipment of RMB15.4 million and finance costs of RMB3.6 million; (ii) an increase in other non-current liabilities of RMB3.3 million; and (iii) a decrease in trade receivables of RMB3.2 million; This net cash inflow was partially offset by (i) an increase in restricted cash of RMB69.7 million; and (ii) income tax paid of RMB27.4 million.

Hairology Group had net cash generated from operating activities was RMB302.5 million in 2023. This net cash inflow was primarily attributable to (i) profit before tax of RMB203.7 million, as adjusted to reflect non-cash or non-operating items, which primarily comprise depreciation of right-of-use assets of RMB51.5 million, depreciation of property, plant and equipment of RMB11.9 million and finance costs of RMB2.8 million; (ii) an increase in contract liabilities of RMB33.7 million; and (iii) a decrease in prepayments, other receivables and other assets of RMB7.7 million; This net cash inflow was partially offset by (i) income tax paid of RMB16.2 million; and (ii) an increase in trade receivables of RMB2.7 million.

Investing Activities

Hairology Group had net cash used in investing activities was RMB194.4 million for the period from January 1, 2025 to July 4, 2025. This net cash outflow was primarily due to purchases of financial assets at fair value through profit and loss of RMB622.0 million and purchases of items of property, plant and equipment of RMB10.7 million. This net cash outflow was partially offset by proceeds from disposal of financial assets at fair value through profit and loss of RMB443.8 million.

Hairology Group had net cash generated from investing activities was RMB0.8 million in 2024. This net cash inflow was primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB1,181.3 million and was partially offset by purchase of financial assets at fair value through profit and loss of RMB1,153.0 million.

Hairology Group had net cash used in investing activities was RMB27.2 million in 2023. This net cash outflow was primarily due to purchases of financial assets at fair value through profit and loss of RMB912.2 million and purchases of items of property, plant and equipment of RMB16.3 million. This net cash outflow was partially offset by proceeds from disposal of financial assets at fair value through profit and loss of RMB908.3 million.

Financing Activities

Hairology Group had net cash used in financing activities was RMB25.4 million for the period from January 1, 2025 to July 4, 2025. This net cash outflow was primarily due to lease payment of RMB26.0 million.

Hairology Group had net cash used in financing activities was RMB128.7 million in 2024. This net cash outflow was primarily due to dividends paid of RMB81.0 million and lease payment of RMB54.6 million. This net cash outflow was partially offset by capital contribution by Shareholders of RMB8.0 million.

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Hairology Group had net cash used in financing activities was RMB275.8 million in 2023. This net cash outflow was primarily due to dividends paid of RMB246.7 million and lease payment of RMB52.9 million. This net cash outflow was partially offset by capital contribution by Shareholders of RMB25.0 million.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

For the calculation of the unaudited [REDACTED] adjusted net tangible assets, see “Appendix IIA — Unaudited [REDACTED] Financial Information.”

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [REDACTED] of the Shares on the Stock Exchange.