*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included in the Accountants' Report in Appendix I to document. Our consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").*

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

OVERVIEW

We are a leading commercial vehicle service provider and supply chain platform in China. According to CIC, we ranked first in China's commercial vehicle service market in terms of both revenue in 2025 and the number of operating stores as of December 31, 2025. Our business primarily focuses on auto parts supply chain services, providing cross-brand product sourcing, stringent quality assurance, integrated end-to-end supply chain operation, flexible service arrangements and cost-efficient solutions to meet wide-ranging demands in the commercial vehicle service market as a platform-based commercial vehicle service provider. Leveraging our nationwide network of operating stores, integrated warehousing and logistics infrastructure, and digital operational capabilities, we directly bridge supply and demand sides, empowering upstream auto parts manufacturers, downstream auto parts service shops, and other industry participants with a full-category one-stop supply chain platform.

During the Track Record Period, despite fluctuations in our revenue, we achieved sustained improvement in profitability. Our revenue increased from RMB2,676.2 million in 2023 to RMB2,715.3 million in 2024, and decreased to RMB2,504.4 million in 2025. Our net profit increased from RMB0.9 million for the year ended December 31, 2023 to RMB42.5 million for the year ended December 31, 2024, and further increased to RMB70.2 million for the year ended December 31, 2025, representing a CAGR of 797.6%, mainly driven by our strategic optimization, operational enhancement, and market deepening during the Track Record Period.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. Our consolidated financial information has been prepared under the historical cost convention, except for financial assets or liabilities at FVTPL and financial assets at FVTOCI which have been measured at fair value.

The preparation of our consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information, are disclosed in Note 3 to the Accountants' Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

A number of external and internal factors have influenced, and are expected to continue to influence, our financial performance during the Track Record Period and going forward. Key considerations are set out as below.

Industry and Market Demand

Our results of operations and financial condition are affected by industry and market factors impacting the global commercial vehicle service market. These include global and

China's macroeconomic conditions, the growth of the global overall commercial vehicle market, and the development of the commercial vehicle service industry. According to CIC, the global commercial vehicle service market reached RMB3,288.4 billion in 2025, and is expected to reach RMB3,826.4 billion in 2030, representing a CAGR of 3.0%. The commercial vehicle service market in China grew steadily from RMB618.7 billion in 2021 to RMB758.0 billion in 2025, representing a CAGR of 5.2%, and is expected to reach RMB908.5 billion in 2030, representing a CAGR of 3.7%. The demand for commercial vehicle services is continuously driven by the sustained high level of commercial vehicle parc, the aging of fuel vehicles, ongoing upgrades to emission regulations, and the growing demand for refined fleet operation and maintenance. Capitalizing on our industry position, we believe we will continue to benefit from the rising customer demand for quality commercial vehicle services.

Ability to Improve Operational Efficiency

Our consistent improvement in profitability is primarily attributable to our improved operational management capabilities, which has driven a steady increase in our net profit. Our net profit grew significantly from RMB0.9 million in 2023 to RMB42.5 million in 2024, and further rose steadily to RMB70.2 million in 2025. Operational efficiency is a key strategic priority for us and form a core part of our competitive advantage, supporting the sustainable and steady growth of our business.

We exercise prudent control over our operating expenses. During the Track Record Period, our selling and distribution expenses as a percentage of revenue decreased from 11.2% in 2023 to 9.8% in 2024, and further to 7.8% in 2025. As we continue to improve our operational efficiency backed by our supply chain platform, sales network and digital operating infrastructure, we expect our costs and expenses as percentages of revenue to further decline, which is critical to improving our profitability and supporting our long-term growth.

Ability to Expand and Optimize Sales Network

The scale, structure, and efficiency of our sales network are critical to our ability to attract new customers and grow our market share. Domestically, we primarily sell our products through a direct sales approach. As of the Latest Practicable Date, our sales network consisted of 265 operating stores across 30 provincial-level administrative regions in China.

In addition to our sales in China, we have also proactively tapped into overseas markets via a distributorship model. As such, we have established global footprints in approximately 100 countries and regions across the globe. During the Track Record Period, our revenue from overseas market accounted for 37.0%, 35.0% and 35.0%, respectively, of our total revenue for the years ended December 31, 2023, 2024 and 2025.

To further strengthen our sales channels, we plan to continue to expand our sales network. Please refer to "Business — Our Strategies" in this document for further details. We believe that well-established and continuously optimized sales channel will be fundamental to sustaining our growth and strengthening our competitive position in the commercial vehicle services market both in Chinese Mainland and overseas.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates, which we consider significant in the preparation of our financial statements in accordance with HKFRSs. These material accounting policy information are set forth in Note 2.4 to the Accountants' Report in Appendix I to this document, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in Note 3 of the Accountants' Report in Appendix I to this document. The preparation of our financial statements requires our management to make judgment, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Material Accounting Policies

Revenue recognition

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

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

Revenue from the sale of industrial products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Some contracts for the sale of our products provide customers with sales rebates, giving rise to variable consideration.

(i) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

Share-based payments

Employees (including directors) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair values at the dates at which they are granted. The fair value is determined based on the transaction prices observed in third-party transactions during the nearest period, further details are given in Note 31 of the Accountants' Report in Appendix I to this document.

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

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

Income tax

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each financial year and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

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

Warehouses, self-operated stores and office premises	1-8 years

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

(b) Lease liabilities

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

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

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

Group as a lessee

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	**2,676,164**	**100.0**	**2,715,330**	**100.0**	**2,504,373**	**100.0**
Cost of sales	(2,233,931)	(83.5)	(2,280,746)	(84.0)	(2,108,836)	(84.2)
Gross profit	**442,233**	**16.5**	**434,584**	**16.0**	**395,537**	**15.8**
Other income and gains	10,133	0.4	24,951	0.9	12,828	0.5
Selling and distribution expenses	(300,111)	(11.2)	(265,830)	(9.8)	(196,142)	(7.8)
Administrative expenses	(125,753)	(4.7)	(130,841)	(4.8)	(117,210)	(4.7)
Research and development expenses	(1,725)	(0.1)	(2,053)	(0.1)	(1,881)	(0.1)
Impairment losses on financial assets, net	(4,972)	(0.2)	(4,272)	(0.2)	(2,726)	(0.1)
Other expenses	(9,206)	(0.3)	(1,105)	(0.0)	(4,779)	(0.2)
Finance costs	(4,803)	(0.2)	(3,765)	(0.1)	(4,230)	(0.2)
Share of profits and losses of joint ventures	(1,409)	(0.1)	4,009	0.1	7,888	0.3
Profit before tax	**4,387**	**0.2**	**55,678**	**2.1**	**89,285**	**3.6**
Income tax expense	(3,516)	(0.1)	(13,165)	(0.5)	(19,103)	(0.8)
Profit for the year	**871**	**0.0**	**42,513**	**1.6**	**70,182**	**2.8**

Revenue

Our revenue increased by 1.5% from RMB2,676.2 million for the year ended December 31, 2023 to RMB2,715.3 million for the year ended December 31, 2024, mainly due to our efforts to proactively explore the domestic market, which lifted our domestic sales. Our revenue decreased by 7.8% from RMB2,715.3 million for the year ended December 31, 2024 to RMB2,504.4 million for the year ended December 31, 2025, primarily attributable to the prevailing global market conditions, which weighed on our overseas sales.

Revenue by types of products

The following table sets forth the breakdown of our revenue by types of products in absolute amounts and as percentages for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Product categories						
Chassis parts	1,693,008	63.3	1,713,427	63.1	1,550,882	61.9
Universal parts	461,418	17.2	476,668	17.6	451,975	18.0
Gearbox parts	275,651	10.3	284,473	10.5	256,812	10.3
Electrical parts	158,716	5.9	164,249	6.0	167,674	6.7
Engine parts	66,283	2.5	52,454	1.9	55,114	2.2
Body accessories parts	21,088	0.8	24,059	0.9	21,916	0.9
Total	**2,676,164**	**100.0**	**2,715,330**	**100.0**	**2,504,373**	**100.0**

During the Track Record Period, our revenue mix by product category remained generally stable. Leveraging the long-established market reputation, chassis parts consistently stood as our largest revenue contributor, accounting for 63.3%, 63.1% and 61.9%, respectively, of our total revenue for the years ended December 31, 2023, 2024 and 2025. The revenue generated from the sales of chassis parts increased by 1.2% from RMB1,693.0 million for the year ended December 31, 2023 to RMB1,713.4 million for the year ended December 31, 2024, mainly attributable to our in-depth exploration of the domestic market. The revenue generated from the sales of chassis parts decreased by 9.5% from RMB1,713.4 million for the year ended December 31, 2024 to RMB1,550.9 million for the year ended December 31, 2025, primarily driven by the prevailing global market conditions as chassis parts constituted our principal export product category.

Revenue by sales model

The following table sets forth a breakdown of our revenue by sales model in absolute amounts and as percentages for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales						
Domestic direct sales	1,540,224	57.6	1,614,824	59.5	1,573,085	62.8
Overseas direct sales	38,455	1.4	41,610	1.5	29,844	1.2
Subtotal	**1,578,679**	**59.0**	**1,656,434**	**61.0**	**1,602,929**	**64.0**
Distribution sales						
Domestic distributors	143,796	5.4	148,815	5.5	54,033	2.2
Overseas distributors	953,689	35.6	910,081	33.5	847,411	33.8
Subtotal	**1,097,485**	**41.0**	**1,058,896**	**39.0**	**901,444**	**36.0**
Total	**2,676,164**	**100.0**	**2,715,330**	**100.0**	**2,504,373**	**100.0**

Revenue by geographical markets

The following table sets forth a breakdown of our revenue by geographical markets in absolute amounts and as percentages for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chinese Mainland	1,684,020	63.0	1,763,639	65.0	1,627,118	65.0
Europe[(1)]	254,226	9.4	233,576	8.6	209,102	8.3
North America[(2)]	229,845	8.6	239,119	8.8	197,587	7.9
Asia[(3)]	238,419	8.9	226,265	8.3	250,043	10.0
South America[(4)]	164,324	6.1	142,934	5.3	132,738	5.3
Africa[(5)]	79,674	3.0	87,478	3.2	66,810	2.7
Oceania[(6)]	25,656	1.0	22,319	0.8	20,975	0.8
Total	**2,676,164**	**100.0**	**2,715,330**	**100.0**	**2,504,373**	**100.0**

Notes:

(1) Primarily represents revenue generated from Russia, Spain and other European markets.

(2) Primarily represents revenue generated from the United States, Costa Rica, Guatemala and other North American markets.

(3) Primarily represents revenue generated from the United Arab Emirates, India and other Asian markets, excluding Chinese Mainland.

(4) Primarily represents revenue generated from Brazil, Colombia, Argentina and other South American markets.

(5) Primarily represents revenue generated from South Africa, Algeria, Egypt and other African markets.

(6) Primarily represents revenue generated from Australia, New Zealand and other Oceanian markets.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Procurement costs	2,185,978	97.9	2,237,697	98.1	2,071,242	98.2
Freight charges	47,953	2.1	43,049	1.9	37,594	1.8
Total	**2,233,931**	**100.0**	**2,280,746**	**100.0**	**2,108,836**	**100.0**

Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our gross profit and gross profit margin by product categories for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Product categories						
Chassis parts	317,622	18.8	304,996	17.8	263,637	17.0
Universal parts	23,234	5.0	33,555	7.0	39,607	8.8
Gearbox parts	54,721	19.9	52,860	18.6	46,589	18.1
Electrical parts	30,241	19.1	28,873	17.6	31,333	18.7
Engine parts	13,748	20.7	11,605	22.1	11,685	21.2
Body accessories parts	2,667	12.6	2,695	11.2	2,686	12.3
Total	**442,233**	**16.5**	**434,584**	**16.0**	**395,537**	**15.8**

Other Income and Gains

Our other income and gains comprise (i) bank interest income; (ii) government grants; (iii) investment income and gains on financial instruments; (iv) foreign exchange gains; (v) gains on early termination of certain lease contracts; (vi) gains on disposal of property; plant and equipment and (vii) others. The following table sets forth a breakdown of our other income and gains for the years indicated:

	For the Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	7,412	11,020	8,717
Government grants[(1)]	1,373	1,365	890
Others	780	785	825
Subtotal	**9,565**	**13,170**	**10,432**
Other gains			
Investment income and gains on financial instruments	568	5,322	2,099
Foreign exchange gains	–	6,403	–
Gains on early termination of certain lease contracts	–	–	82
Gains on disposal of property, plant and equipment	–	56	215
Subtotal	**568**	**11,781**	**2,396**
Total	**10,133**	**24,951**	**12,828**

Note:

(1) Government grants mainly consist of subsidies from local governments to support our operation, with no associated contingent obligations.

Our bank interest income increased from RMB7.4 million in 2023 to RMB11.0 million in 2024, primarily due to fundraising completed in 2023, which boosted surplus cash deployed for long-term certificates of deposit. By contrast, our bank interest income fell to RMB8.7 million in 2025, mainly driven by working capital reallocation, lower surplus cash levels and softer prevailing market interest rates.

Our government grants stood at RMB1.4 million and RMB1.4 million for 2023 and 2024 respectively, remaining largely stable and comprising policy-based subsidies, preferential tax benefits and various incentive awards. Such income declined to RMB0.9 million in 2025, primarily attributable to a drop in the number of eligible employees qualifying for relevant veteran-related preferential policies.

Our investment income and gains on financial instruments mainly derived from foreign exchange hedging. Such investment income rose from RMB0.6 million in 2023 to RMB5.3 million in 2024, and declined to RMB2.1 million in 2025, primarily due to the fluctuations of foreign exchange rates.

Our foreign exchange gains amounted to RMB6.4 million in 2024, primarily driven by substantial USD-denominated revenue and favorable movement in the USD/CNY exchange rate.

Selling and Distribution Expenses

Our selling and distribution expenses comprise (i) employee benefit expenses; (ii) freight expenses; (iii) lease expenses and depreciation of right-of-use assets; (iv) advertising and promotion expenses; (v) depreciation and amortization; and (vi) others.

The table below sets forth a breakdown of our selling and distribution expenses both in absolute amount and as a percentage of our total selling and distribution expenses for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	156,856	52.3	145,254	54.6	103,065	52.7
Freight expenses	44,148	14.7	41,056	15.4	34,406	17.5
Lease expenses and depreciation of right-of-use assets	53,320	17.8	38,187	14.4	30,866	15.7
Advertising and promotion expenses	11,937	4.0	12,365	4.7	10,094	5.1
Depreciation and amortization	17,323	5.8	14,899	5.6	7,489	3.8
Others	16,527	5.4	14,069	5.3	10,222	5.2
Total	**300,111**	**100.0**	**265,830**	**100.0**	**196,142**	**100.0**

Our employee benefit expenses decreased from RMB156.9 million in 2023 to RMB145.3 million in 2024, and further decreased to RMB103.1 million in 2025, primarily attributable to the optimization of our sales workforce through headcount reduction, which reduced our operating costs and improved overall operational efficiency.

Our freight expenses decreased from RMB44.1 million in 2023 to RMB41.1 million in 2024, and further decreased to RMB34.4 million in 2025, primarily due to the optimization of front-store logistics arrangements, where products are directly delivered from suppliers or central warehouse to store warehouse, thus reducing shipment handling and freight expenses.

Our lease expenses and depreciation of right-of-use assets decreased from RMB53.3 million in 2023 to RMB38.2 million in 2024, and further decreased to RMB30.9 million in 2025, primarily due to optimization of operating stores with store downsizing, and rental reduction due to prevailing rental market conditions.

Administrative Expenses

Our administrative expenses consist of (i) employee benefit expenses; (ii) traveling expenses; (iii) depreciation and amortization; (iv) office expenses; (v) software expenses ; (vi) business hospitality expenses; (vii) taxes and surcharges ; and (viii) others.

The table below sets forth a breakdown of our administrative expenses both in absolute amount and as a percentage of our total administrative expenses for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	98,994	78.7	94,710	72.5	86,624	73.9
Traveling expenses	5,467	4.3	5,856	4.5	5,007	4.3
Depreciation and amortization	2,882	2.3	4,513	3.4	4,176	3.6
Office expenses	3,425	2.7	3,386	2.6	3,997	3.4
Software expenses	2,999	2.4	4,741	3.6	3,889	3.3
Business hospitality expenses	2,045	1.6	2,804	2.1	3,495	3.0
Taxes and surcharges	1,198	1.0	2,663	2.0	1,811	1.5
Others	8,743	7.0	12,168	9.3	8,211	7.0
Total	**125,753**	**100.0**	**130,841**	**100.0**	**117,210**	**100.0**

Our employee benefit expenses, which represent the largest component of our administrative expenses, decreased from RMB99.0 million in 2023 to RMB94.7 million in 2024, and further decreased to RMB86.6 million in 2025, mainly attributable to the workforce optimization and efficiency enhancement initiatives that brought down regular payroll expenses.

Research and Development Expenses

Our research and development expenses mainly represent employee benefit expenses for developing and maintaining our digital operational systems. We recorded research and development expenses of RMB1.7 million, RMB2.1 million and RMB1.9 million, respectively, for the years ended December 31, 2023, 2024 and 2025.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net primarily represent provision related to trade and bill receivables in accordance with an impairment analysis performed at each reporting date using a provision matrix to measure expected credit losses. We assess impairment losses on financial assets based on a number of factors, including historical credit risk experience, adjusted for forward-looking factors specific to the debtors and the economic environment. We recorded net impairment losses on financial assets of RMB5.0 million, RMB4.3 million and RMB2.7 million, respectively for the years ended December 31, 2023, 2024 and 2025.

Other Expenses

Our other expenses primarily consist of exchange losses, losses on disposal of assets and other miscellaneous expenses. During the Track Record Period, we recorded other expenses of RMB9.2 million, RMB1.1 million and RMB4.8 million, respectively, for the years ended December 31, 2023, 2024 and 2025.

Finance Costs

Our finance costs comprise (i) interest on bank loans; (ii) interest on lease liabilities and (iii) interest on redemption liabilities. The following table below sets forth a breakdown of our finance costs both in absolute amount and as percentage of our total finance costs for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest on bank loans	2,871	59.8	2,261	60.1	3,038	71.8
Interest on lease liabilities	1,932	40.2	1,386	36.8	822	19.4
Interest on redemption liabilities	–	–	118	3.1	370	8.8
Total	**4,803**	**100.0**	**3,765**	**100.0**	**4,230**	**100.0**

Our interest on bank loans decreased from RMB2.9 million in 2023 to RMB2.3 million in 2024, primarily driven by repayment of maturing debts and lower outstanding borrowings. By contrast, our interest on bank loans increased to RMB3.0 million in 2025, mainly attributable to increased bank loans to meet our general working capital requirements.

Our interest on lease liabilities decreased throughout the Track Record Period, mainly due to our lease portfolio optimization and decrease in lease liabilities.

Share of Profits and Losses of Joint Ventures

We recognized share of losses of joint ventures for RMB1.4 million for the year ended December 31, 2023, and recognized share of profits of joint ventures for RMB4.0 million and RMB7.9 million, respectively, for the years ended December 31, 2024 and 2025, primarily attributable to the financial performance of our joint ventures with public transport enterprises alongside the growth in number of joint ventures. The loss recorded in 2023 was mainly due to the joint ventures being in their ramp-up period.

Income Tax Expenses

Chinese Mainland

Our income tax expenses in Chinese Mainland consist of current and deferred income taxes payable by our subsidiaries in the PRC. For the years ended December 31, 2023, 2024 and 2025, we incurred income tax expenses of RMB3.5 million, RMB13.1 million and RMB19.1 million, respectively, in the PRC. The increase in income tax expenses in the PRC during the Track Record Period was mainly due to steady growth in taxable income.

Pursuant to the PRC EIT Law and its implementation regulations, our subsidiaries operating in the PRC are subject to EIT rate of 25%. However, certain of our PRC subsidiaries are qualified as small and micro enterprises by the relevant tax authorities and were entitled to a preferential EIT rate of 5% for the taxable income during the Track Record Period.

Hong Kong

Our income tax expenses in Hong Kong primarily consist of current and deferred income taxes payable by our subsidiary in Hong Kong. For the years ended December 31, 2023, 2024 and 2025, we incurred income tax expenses of RMB1.0 million, RMB0.8 million and RMB0.5 million, respectively, in Hong Kong.

Under the two-tiered profits tax rates regime of Hong Kong profit tax, the first HKD2.0 million of profits of the qualifying group entity will be taxed at a rate of 8.25%, and profits above HKD2.0 million will be taxed at a rate of 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of our qualifying group entity is calculated at a rate of 8.25% for the first HKD2.0 million of the estimated assessable profits and at a rate of 16.5% for the estimated assessable profits above HKD2.0 million.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue and gross profit

Our revenue decreased by 7.8% from RMB2,715.3 million for the year ended December 31, 2024 to RMB2,504.4 million for the year ended December 31, 2025, primarily due to a decrease in overseas revenue by 8.0% from RMB958.2 million for the year ended December 31, 2024 to RMB882 million for the year ended December 31, 2025, mainly driven by the prevailing global market conditions.

Our gross profit decreased by 9.0% from RMB434.6 million for the year ended December 31, 2024 to RMB395.5 million for the year ended December 31, 2025, which is in line with the decrease in revenue. Our gross profit margin decreased slightly from 16.0% for the year ended December 31, 2024 to 15.8% for the year ended December 31, 2025, mainly due to contracted overseas sales, as export gross margins were higher than those from domestic sales.

Cost of sales

Cost of sales for the year ended December 31, 2025 decreased by 7.5% to RMB2,108.8 million, compared to RMB2,280.7 million for the year ended December 31, 2024, which is in line with the decrease in revenue.

Other income and gains

Other income and gains for the year ended December 31, 2025 was RMB12.8 million, representing a decrease of 48.8% compared to RMB25.0 million for the year ended December 31, 2024. The decrease was primarily due to (i) lower bank interest income; and (ii) foreign exchange gains realized in 2024, as opposed to foreign exchange losses recorded under "other expenses" in 2025.

Selling and distribution expenses

Our selling and distribution expenses decreased by 26.2%, from RMB265.8 million for the year ended December 31, 2024 to RMB196.1 million for the year ended December 31, 2025, primarily due to the optimization of sales workforce through headcount reduction, which reduced our operating costs and improved overall operational efficiency.

Administrative expenses

Our administrative expenses decreased by 10.4% from RMB130.8 million for the year ended December 31, 2024 to RMB117.2 million for the year ended December 31, 2025, primarily due to the workforce optimization and efficiency enhancement initiatives that brought down regular payroll expenses.

Research and development expenses

Research and development expenses remained relatively stable at RMB2.1 million for the year ended December 31, 2024 and RMB1.9 million for the year ended December 31, 2025.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net was RMB4.3 million and RMB2.7 million, respectively, for the years ended December 31, 2024 and 2025, primarily due to decrease in impairment losses on trade receivables.

Other expenses

Other expenses increased by 336.4% from RMB1.1 million for the year ended December 31, 2024 to RMB4.8 million for the year ended December 31, 2025, primarily due to an increase in net foreign exchange losses resulting from exchange rate fluctuations.

Finance costs

Our finance costs increased by 10.5% from RMB3.8 million for the year ended December 31, 2024 to RMB4.2 million for the year ended December 31, 2025, mainly attributable to an increase in our bank borrowings, which was partially set off by the optimization of lease arrangements leading to a decrease in lease liabilities.

Share of profits of joint ventures

We recognized share of profits of joint ventures for RMB4.0 million and RMB7.9 million, respectively, for the years ended December 31, 2024 and 2025, primarily reflecting the improved financial performance of our joint ventures with public transport enterprises alongside the growth in number of joint venture.

Income tax expenses

Our income tax expenses increased by 44.7% from RMB13.2 million for the year ended December 31, 2024 to RMB19.1 million for the year ended December 31, 2025, which was in line with the increase in our profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by 65.2% from RMB42.5 million for the year ended December 31, 2024 to RMB70.2 million for the year ended December 31, 2025.

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

Revenue and gross profit

Our revenue increased by 1.5% from RMB2,676.2 million for the year ended December 31, 2023 to RMB2,715.3 million for the year ended December 31, 2024, primarily driven by efforts to proactively deepen penetration in the domestic market through the expansion of our joint venture model with local state-owned public transport enterprises.

Our gross profit decreased by 1.7% from RMB442.2 million for the year ended December 31, 2023 to RMB434.6 million for the year ended December 31, 2024. Our gross profit margin slightly decreased from 16.5% for the year ended December 31, 2023 to 16.0% for the year ended December 31, 2024, mainly due to the decline in overseas sales, which generally carry higher gross profit margin, primarily attributable to the prevailing global market conditions.

Cost of sales

Cost of sales for the year ended December 31, 2024 increased by 2.1% to RMB2,280.7 million, compared to RMB2,233.9 million for the year ended December 31, 2023, which is in line with the increase in revenue.

Other income and gains

Other income and gains for the year ended December 31, 2024 was RMB25.0 million, representing an increase of 147.5% compared to RMB10.1 million for the year ended December 31, 2023. The increase was primarily due to (i) higher cash surplus deployed for long-term certificates of deposit and short-term bank wealth management products; (ii) investment income derived from foreign exchange swap agreements and forward foreign exchange contract; and (iii) foreign exchange gains arising from favorable USD/CNY exchange rate movements.

Selling and distribution expenses

Our selling and distribution expenses decreased by 11.4%, from RMB300.1 million for the year ended December 31, 2023 to RMB265.8 million for the year ended December 31, 2024, primarily driven by: (i) optimization of operating stores with store downsizing, as well as rental reduction due to prevailing rental market conditions; and (ii) workforce optimization through headcount reduction.

Administrative expenses

Our administrative expenses increased by 4.0% from RMB125.8 million for the year ended December 31, 2023 to RMB130.8 million for the year ended December 31, 2024, primarily due to increased software amortization charges following the go-live of our SAP ERP system.

Research and development expenses

Our research and development expenses remained relatively stable at RMB1.7 million and RMB2.1 million, respectively, for the years ended December 31, 2023 and 2024.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net remained relatively stable at RMB5.0 million and RMB4.3 million, respectively, for the years ended December 31, 2023 and 2024.

Other expenses

Other expenses decreased by 88.0% from RMB9.2 million for the year ended December 31, 2023 to RMB1.1 million for the year ended December 31, 2024, primarily due to the absence of the one-off expenses incurred in 2023, comprising (i) net foreign exchange losses; and (ii) disposal losses on right-to-use assets arising from early termination of certain lease contracts under our strategic adjustment.

Finance costs

Our finance costs decreased by 20.8% from RMB4.8 million for the year ended December 31, 2023 to RMB3.8 million for the year ended December 31, 2024, mainly attributable to (i) our optimization of lease arrangements with fewer stores and warehouses as well as reduced rental expenses amid the prevailing rental market conditions, leading to decrease in lease liabilities; and (ii) our downsizing of bank borrowings and settlement of maturing short-term borrowings.

Share of profits and losses of joint ventures

We recognized share of losses of joint ventures for RMB1.4 million for the year ended December 31, 2023, while we recognized share of profits of joint ventures for RMB4.0 million for the year ended December 31, 2024, mainly due to the joint ventures with public transport enterprises being in their ramp-up period in 2023.

Income tax expense

Our income tax expenses increased from RMB3.5 million for the year ended December 31, 2023 to RMB13.2 million for the year ended December 31, 2024, which was in line with the increase in our profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly from RMB0.9 million for the year ended December 31, 2023 to RMB42.5 million for the year ended December 31, 2024.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth a summary of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*
Current assets				
Inventories	482,074	469,380	448,434	439,733
Trade and bills receivables	543,830	517,457	566,612	523,460
Prepayments, other receivables and other assets	74,827	65,522	51,819	61,595
Financial assets at fair value through profit or loss ("**FVTPL**")	–	–	60,000	–
Financial assets at fair value through other comprehensive income ("**FVTOCI**")	23,645	17,574	9,405	8,991
Restricted cash	7,101	7,256	162,650	56,205
Cash and cash equivalents	301,544	371,211	279,519	382,390
Total current assets	**1,433,021**	**1,448,400**	**1,578,439**	**1,472,374**
Current liabilities				
Trade and bills payables	566,905	609,745	484,488	392,499
Other payables and accruals	113,881	98,770	105,829	85,567
Contract liabilities	37,876	32,285	28,965	33,122
Interest-bearing bank borrowings	47,155	–	30,136	–
Derivative financial instruments	7,521	–	–	–
Lease liabilities	19,394	14,045	9,914	8,772
Tax Payable	2,877	4,347	7,290	396
Total current liabilities	**795,609**	**759,192**	**666,622**	**520,356**
Net current assets	**637,412**	**689,208**	**911,817**	**952,018**

Our net current assets increased from RMB689.2 million as of December 31, 2024 to RMB911.8 million as of December 31, 2025. Such growth was primarily attributable to: (i) an increase in restricted cash, mainly due to reclassification of RMB150 million long-term deposits maturing in 2026 to current assets; (ii) a decrease in the use of bills payables, mainly due to a portion of bills payables for suppliers matured in 2025; (iii) an increase in financial assets at FVTPL in relation to purchase of bank wealth management products subsequently redeemed in January 2026; and (iv) an increase in trade and bills receivables, mainly due to increased sales to public transport enterprises, which were granted relatively longer credit periods. This was partially offset by a decrease in cash and cash equivalents mainly due to purchase of bank wealth management products.

Our net current assets increased from RMB637.4 million as of December 31, 2023 to RMB689.2 million as of December 31, 2024. Such growth was primarily attributable to: (i) an increase in cash and cash equivalents, mainly due to business growth; (ii) repayment of short-term interest-bearing bank borrowings; and (iii) a decrease in other payables and accruals, mainly due to a decrease in SAP ERP cloud maintenance fees as well as payroll and welfare payables arising from workforce optimization. This was partially offset by an increase in trade and bill payables, mainly resulting from expanded use of bills payables in 2024.

Property, Plant and Equipment ("PPE")

Our PPE consists of (i) leasehold improvements; (ii) plant and machinery; (iii) furniture and fixtures; and (iv) motor vehicles. Depreciation is calculated on the straight-line basis to write off the cost of each item of PPE to its residual value over its estimated useful life.

The table below sets forth a breakdown of our PPE as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Leasehold improvements	67	120	41
Plant and machinery	8,198	9,062	9,104
Furniture and fixtures	5,003	4,036	2,907
Motor vehicles	31,685	17,323	7,834
Total	**44,953**	**30,541**	**19,886**

Our PPE decreased from RMB45.0 million as of December 31, 2023 to RMB30.5 million as of December 31, 2024, and further decreased to RMB19.9 million as of December 31, 2025, primarily due to continuous depreciation of motor vehicles.

Right-of-Use Assets

Our right-of-use assets primarily represent our lease contracts for warehouses and office premises. Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of warehouses and office premises are 1 to 8 years. Our right-of-use assets decreased from RMB47.5 million as December 31, 2023 to RMB32.9 million as of December 31, 2024, and further decreased to RMB23.2 million as of December 31, 2025, mainly attributable to (i) routine depreciation of right-of-use assets; and (ii) a decline in total rental area due to downsizing of stores alongside rental reduction due to prevailing rental market conditions.

Investments in Joint Ventures

Our investments in joint ventures amounted to RMB17.4 million, RMB46.5 million, and RMB68.4 million, respectively, as of December 31, 2023, 2024, and 2025, mainly representing the increase in aggregate carrying amount of our investments in the joint ventures with public transport enterprises during the Track Record Period.

Inventories

Our inventories primarily consist of finished goods, goods in transit and raw materials. The following table sets forth the carrying amount of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	437,580	431,368	392,771
Goods in transit	78,470	66,406	82,456
Raw materials	2,033	1,800	1,078
Write-down of inventories	(36,009)	(30,194)	(27,871)
Total	**482,074**	**469,380**	**448,434**

Our inventories decreased from RMB482.1 million as of December 31, 2023 to RMB469.4 million as of December 31, 2024, and further decreased to RMB448.4 million as of December 31, 2025. The movement was mainly attributable to reduced finished goods balance, driven by ongoing optimization of inventory structure and improved inventory management efficiency.

Aging analysis

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	477,518	465,758	445,057
1 year to 2 years	4,556	3,622	3,377
2 years to 3 years	–	–	–
Over 3 years	–	–	–
Total	**482,074**	**469,380**	**448,434**

Turnover days

The following table sets forth our inventory turnover days during the Track Record Period:

	For the Year Ended December 31,		
	2023	2024	2025
		days	
Inventory turnover days(1)	92	81	84

Note:

(1) Inventory turnover days are calculated based on the average of the beginning and ending balance of inventories divided by cost of sales for the year, then multiplied by 365 for each year.

Our inventory turnover days remained relatively stable at 92 days, 81 days and 84 days, respectively, for the years ended December 31, 2023, 2024 and 2025.

As of April 30, 2026, approximately RMB249.7 million, or 55.7%, of our inventories as of December 31, 2025, had been sold or utilized.

Trade and Bills Receivables

Our trade and bills receivables primarily arise from credit sales of our products. We generally grant a credit period ranging from 30 to 180 days. We seek to maintain strict control over our outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The table below sets forth the breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	453,008	446,763	501,524
Bills receivables	93,731	77,882	74,530
Provision for impairment	(2,909)	(7,188)	(9,442)
Net carrying amount	**543,830**	**517,457**	**566,612**

Our trade and bills receivables decreased from RMB543.8 million as of December 31, 2023 to RMB517.5 million as of December 31, 2024, primarily due to decreased overseas revenue amid the prevailing global market conditions. Our trade and bills receivables increased from RMB517.5 million as of December 31, 2024 to RMB566.6 million as of December 31, 2025, mainly attributable to expanded collaboration with public transport enterprises, which are granted longer credit periods.

Aging analysis

The table below sets forth an aging analysis of our trade and bills receivables, presented based on the transaction date and net of allowance for expected credit losses as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	521,563	496,669	547,151
1 year to 2 years	22,267	18,144	17,037
2 years to 3 years	–	2,644	2,424
Total	**543,830**	**517,457**	**566,612**

Turnover days

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

	For the Year Ended December 31,		
	2023	**2024**	**2025**
		days	
Trade and bills receivables turnover days(1)	71	72	80

Note:

(1) Trade and bills receivables turnover days are calculated based on the average of the beginning and ending balance of trade and bills receivables divided by revenue for the year, then multiplied by 365.

Our trade and bills receivables turnover days increased from 71 days for the year ended December 31, 2023 to 72 days for the year ended December 31, 2024, and further increased to 80 days for the year ended December 31, 2025, mainly reflecting our expanded partnerships with public transport enterprises on longer credit periods, which are within the permitted credit periods.

As of April 30, 2026, approximately RMB270.4 million, or 47.7%, of our trade and bills receivables as of December 31, 2025, had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments; (ii) valued-added tax recoverable; (iii) export tax refund; (iv) prepaid income tax; (v) deposits; (vi) amounts due from related parties; (vii) right of refund assets; (viii) dividend income from joint venture and (ix) other receivables. The table below sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	21,080	19,099	14,043
Value-added tax recoverable	14,107	14,656	3,888
Export tax refund	22,421	14,081	14,413
Prepaid income tax	–	–	36
Deposits	2,366	2,336	4,219
Amounts due from related parties	4,004	6,006	6,006
Right of refund assets	5,525	5,522	5,802
Dividend income from joint venture	–	630	754
Other receivables	5,656	3,382	2,929
Less: impairment allowance	(332)	(190)	(271)
Total	**74,827**	**65,522**	**51,819**

Our prepayments, other receivables and other assets decreased from RMB74.8 million as of December 31, 2023 to RMB65.5 million as of December 31, 2024, mainly attributable to (i) a decreased export tax refund in line with the decline in overseas sales revenue; and (ii) a reduction in prepayments to suppliers reflecting our efforts on prepayment management for suppliers. Our prepayments, other receivables and other assets decreased from RMB65.5 million as of December 31, 2024 to RMB51.8 million as of December 31, 2025, primarily due to (i) a decrease in value-added tax recoverable mainly reflecting our tax deductions for domestic sales at the year end; and (ii) a reduction in prepayments to suppliers.

As of April 30, 2026, approximately RMB40.3 million, or 77.9%, of our prepayments, other receivables and other assets as of December 31, 2025, had been subsequently settled.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Our financial assets at FVTPL mainly represent bank wealth management products. We purchased bank wealth management products with an aggregate principal amount of RMB60.0 million as of December 31, 2025, featuring a daily open trading mechanism with a minimum holding period of only one day before redemption, delivering high liquidity, limited credit risk and low market volatility. Such wealth management products were fully redeemed in January, 2026.

With regards to investment and wealth management activities, we mainly purchase and redeem short-term wealth management products from time to time. We generally favor wealth management products with relatively low risk profiles issued by large, well-established commercial banks with strong credit standing to minimize counterparty risk and safeguard the security of our funds.

We have formulated our Capital Management Measures (《資金管理辦法》) to strengthen supervision over capital receipts and payments, accelerate capital turnover and enhance capital utilization efficiency, including, among others: (i) our CFO is responsible for assessing working capital sufficiency and determining whether to conduct investment and wealth management activities; (ii) financial staff analyzes bank wealth managements products in light of our operational and capital conditions. Such plan shall specify the intended product category, investment amount, tenure and interest rate; (iii) financial staff launches contract-signing procedures for wealth management products, which requires approvals from CFO, legal specialist and general manager; and (iv) finance and accounting personnel maintain standardized accounting treatment for such products.

Financial Assets at Fair Value Through Other Comprehensive Income ("FVTOCI")

We recorded financial assets at FVTOCI of RMB23.6 million, RMB17.5 million and RMB9.4 million, respectively, as of December 31, 2023, 2024, and 2025. It mainly represented the reputable bank bills received from our customers in the ordinary course of sales and settlement.

Trade and Bills Payables

Our trade and bills payables represent the amount payable to our suppliers for product procurement. Our suppliers generally provide a credit term within 90 days. The table below sets forth the breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	436,417	359,861	357,696
Bills payables	130,488	249,884	126,792
Total	**566,905**	**609,745**	**484,488**

Our trade and bills payables increased from RMB566.9 million as of December 31, 2023 to RMB609.7 million as of December 31, 2024, and then decreased to RMB484.5 million as of December 31, 2025. The movements were attributable to expanded use of bills payable to settle amounts due to suppliers in 2024, which matured in 2025.

Aging analysis

The table below sets forth an aging analysis of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	566,905	609,745	484,488
Total	**566,905**	**609,745**	**484,488**

Turnover days

The following table sets forth our trade and bills payables turnover days during the Track Record Period:

	For the Year Ended December 31,		
	2023	**2024**	**2025**
		days	
Trade and bills payables turnover days[(1)]	96	94	95

Note:

(1) Trade and bills payables turnover days is calculated based on the average of the beginning and ending balance of trade and bills payables divided by cost of sales for the year, then multiplied by 365.

Our trade and bills payable turnover days remained relatively stable at 96 days, 94 days and 95 days, respectively, for the years ended December 31, 2023, 2024 and 2025.

As of April 30, 2026, approximately RMB197.6 million, or 40.8%, of our trade and bills payables as of December 31, 2025, had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals consist of (i) other payables, which represent third-party service fees, amounts due for purchases, research and development expenses, and freight expenses; (ii) amounts due to related parties; (iii) payables for purchase of property, plant and equipment; (iv) payroll and welfare payables; (v) provision for warranties; (vi) volume rebates; (vii) liabilities relating to redemption rights held by NCI; and (viii) other tax payable. 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*
Other payables and accruals	24,740	23,968	26,643
Amounts due to related parties	20,780	9,938	13,916
Payables for purchase of property, plant and equipment	152	121	221
Payroll and welfare payables	60,603	50,061	48,177
Provision for warranties	1,107	1,294	953
Volume rebates	479	374	1,286
Liabilities relating to redemption right held by NCI	–	8,533	9,924
Other tax payables	6,020	4,481	4,709
Total	**113,881**	**98,770**	**105,829**

Our other payables and accruals decreased from RMB113.9 million as of December 31, 2023 to RMB98.8 million as of December 31, 2024, primarily due to (i) larger amount expenses of SAP ERP and cloud maintenance fees in 2023; along with (ii) a decrease in payroll and welfare payables arising from workforce optimization. Our other payables and accruals increased from RMB98.8 million as of December 31, 2024 to RMB105.8 million as of December 31, 2025, mainly attributable to growing demand for software maintenance services to support business development.

As of April 30, 2026, approximately RMB87.5 million, or 82.7%, of our other payables and accruals as of December 31, 2025, had been subsequently settled.

Contract Liabilities

Our contract liabilities primarily consist of advance payments from customers and unfulfilled performance obligations. Our contract liabilities decreased from RMB37.9 million as of December 31, 2023 to RMB32.3 million as of December 31, 2024, and further decreased to RMB29.0 million as of December 31, 2025, primarily driven by a decrease in overseas revenue amid the prevailing global market conditions.

As of April 30, 2026, approximately RMB22.9 million, or 78.9%, of our contract liabilities as of December 31, 2025, had been subsequently settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through cash generated from operating activities, bank borrowings and capital contributions from our Shareholders. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank borrowings and [**REDACTED**] from the [**REDACTED**] and other funds that may be raised from the [**REDACTED**] from time to time.

Working Capital Statement

Our Directors confirm that taking into account the financial resources presently available to our Group, including our internal resources, cash flow from our operations, availability of banking facilities, and the estimated net [**REDACTED**] of the [**REDACTED**], our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

Cash Flows

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

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from/(used in) operating activities	106,695	159,127	(23,149)
Net cash flows used in investing activities	(155,730)	(37,237)	(67,662)
Net cash flows from/(used in) financing activities	191,799	(58,879)	1,997
Net increase/(decrease) in cash and cash equivalents	142,764	63,011	(88,814)
Cash and cash equivalents at beginning of year	164,369	301,544	371,211
Effect of foreign exchange rate changes, net	(5,589)	6,656	(2,878)
Cash and cash equivalents at end of year	301,544	371,211	279,519

Net cash flows froml(used in) operating activities

For the year ended December 31, 2025, our net cash flows used in operating activities was RMB23.1 million, primarily attributable to profit before tax of RMB89.3 million, adjusted for (i) depreciation of right-of-use assets of RMB27.7 million; and (ii) depreciation of property, plant and equipment of RMB12.2 million. These adjustments were partially offset by (i) bank interest income of RMB8.7 million; and (ii) share of profits or losses of joint ventures of RMB7.9 million. Working capital movements included (i) a decrease in trade payables of RMB125.3 million; (ii) an increase in trade and bills receivables of RMB51.8 million; and (iii) a decrease in inventories of RMB23.3 million. We recorded RMB16.5 million in income tax paid in 2025. The decrease in net operating cash inflow compared to 2024 primarily reflected the settlement of historical payables.

For the year ended December 31, 2024, our net cash flows from operating activities was RMB159.1 million, primarily attributable to profit before tax of RMB55.7 million, as adjusted by (i) depreciation of right-of-use assets of RMB37.3 million; and (ii) depreciation of property, plant and equipment of RMB20.2 million. Partially offset by (i) bank interest income of RMB11.0 million; and (ii) foreign exchange differences, net of RMB6.4 million. Working capital movements included (i) an increase in trade payables of RMB42.8 million; (ii) a decrease in other payables and accruals of RMB23.6 million; (iii) a decrease in trade and bills receivables of RMB21.0 million; and (iv) a decrease in inventories of RMB18.5 million. We recorded RMB10.2 million in income tax paid in 2024. The increase in net operating cash inflow compared to 2023 was mainly due to decrease in overseas revenue, resulting in lower trade and bills receivables.

For the year ended December 31, 2023, our net cash flows from operating activities was RMB106.7 million, primarily attributable to profit before tax of RMB4.4 million, as adjusted by (i) depreciation of right-of-use assets of RMB38.2 million; (ii) depreciation of property, plant and equipment of RMB20.5 million; and (iii) impairment of inventories of RMB12.5 million. Partially offset by bank interest income of RMB7.4 million. Working capital movements included (i) an increase in trade and bills receivables of RMB63.4 million; (ii) an increase in restricted cash-operating, of RMB8.7 million; (iii) a decrease in inventories of RMB90.0 million; and (iv) a decrease in trade payables of RMB35.9 million. We recorded RMB11.8 million in income tax paid in 2023. The operating cash inflow was mainly attributable to proceeds from sales of inventories.

Net cash flows used in investing activities

For the year ended December 31, 2025, net cash used in investment activities was RMB67.7 million. This primarily reflected (i) purchase of financial assets at fair value through profit and loss of RMB110.0 million; (ii) capital injection in joint ventures of RMB16.5 million, and (iii) purchases of items of property, plant and equipment of RMB1.7 million, partially offset by (i) proceeds from disposal of items of property, plant and equipment of RMB1.0 million; (ii) settlement of forward foreign exchange contracts of RMB2.1 million; (iii) dividend income from joint ventures of RMB2.0 million; (iv) proceeds from disposal of financial assets at fair value through profit or loss of RMB50.0 million; and (v) increase in restricted cash-investing of RMB5.8 million.

For the year ended December 31, 2024, net cash used in investing activities amounted to RMB37.2 million. This mainly reflected (i) capital injection in joint ventures of RMB25.7 million; (ii) purchases of items of property, plant and equipment of RMB6.0 million; (iii) purchases of intangible assets of RMB1.6 million; (iv) settlement of forward foreign exchange contracts of RMB2.2 million; and (v) loans granted to a related party of RMB2.0 million.

For the year ended December 31, 2023, net cash used in investing activities was RMB155.7 million. This primarily reflected (i) proceeds from time deposits with original maturity of more than three months when acquired of RMB150.0 million; and (ii) capital injection in joint ventures of RMB6.1 million.

Net cash flows froml(used in) financing activities

For the year ended December 31, 2025, net cash flows from financing activities was RMB2.0 million. This was primarily due to proceeds from interest-bearing bank borrowings of RMB270.0 million, partially offset by repayment of interest-bearing bank borrowings of RMB240.0 million. The simultaneous co-occurrence of large borrowings and repayment reflected short-term liquidity arrangements aimed at bridging working capital needs during a transitional phase of business growth. Interest payments totaled RMB2.9 million.

For the year ended December 31, 2024, net cash flows used in financing activities was RMB58.9 million. This was mainly attributable to (i) repayment of interest-bearing bank borrowings of RMB45.5 million; and (ii) principal portion of lease payments of RMB35.2 million, partially offset by capital injection from investors of RMB20.0 million. Interest payments totaled RMB2.9 million.

For the year ended December 31, 2023, net cash flows from financing activities was RMB191.8 million. This was primarily due to (i) capital injection from investors of RMB345.0 million; and (ii) proceeds from interest-bearing bank borrowings of RMB118.9 million, partially offset by repayment of interest-bank borrowings of RMB228.1 million. Interest payments totaled RMB2.3 million.

INDEBTEDNESS

Except as disclosed in the table below, we did not have any material mortgaged, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of April 30, 2026, being the most recent practicable date for determining our indebtedness. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since April 30, 2026 and up to the date of this document.

The table below sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*
Current				
Interest-bearing bank borrowings	47,155	–	30,136	–
Lease liabilities	19,394	14,045	9,914	8,772
Subtotal	**66,549**	**14,045**	**40,050**	**8,772**
Non-current				
Lease liabilities	16,912	9,886	5,071	2,825
Subtotal	**16,912**	**9,886**	**5,071**	**2,825**
Total	**83,461**	**23,931**	**45,121**	**11,597**

Interest-Bearing Bank Borrowings

Our historical interest-bearing bank borrowings were primarily used for business operations. The fluctuations in our bank borrowings at the year end were primarily due to the changes in financial needs in light of our operating activities and cash flow planning. For more details of our interest-bearing bank borrowings, see Note 28 to the Accountants' Report in Appendix I to this document.

As of the Latest Practicable Date, we had unutilized bank facilities of RMB19.9 million.

Our Directors confirm that we have not defaulted in the repayment of the bank and other borrowings during the Track Record Period. Our Directors have confirmed that, as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we did not experience any difficulty in obtaining bank borrowings.

Lease Liabilities

Our lease liabilities were mainly in relation to the properties that we lease for our offices and stores. As of December 31, 2023, 2024 and 2025 and April 30, 2026, we had total lease liabilities of RMB36.3 million, RMB23.9 million, RMB15.0 million, and RMB11.6 million, respectively. The decrease in our lease liabilities during the Track Record Period was in line with our optimization of operating stores with store downsizing, and rental reduction due to prevailing rental market conditions. For more details of our lease liabilities, see Note 15 to the Accountants' Report in Appendix I to this document.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditure for purchases of items of property, plant and equipment and purchases of intangible assets. Such capital expenditures were primarily funded by our internal financial resources including cash generated from operations and bank borrowings. We expect to finance our planned capital expenditure primarily with our existing cash as well as net [**REDACTED**] from the [**REDACTED**]. Please refer to "Future Plans and Use of [**REDACTED**]" in this document. We may adjust our capital expenditure for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate. For the year ended December 31, 2023, 2024 and 2025, we incurred capital expenditures of RMB8.9 million, RMB7.6 million and RMB2.3 million, respectively.

CAPITAL COMMITMENTS

Capital commitments represent capital expenditure contracted for as at a particular date but not yet incurred. As of December 31, 2023, 2024 and 2025, our capital commitments amounted to RMB62.7 million, RMB85.5 million and RMB106.1 million, respectively.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 35 to the Accountant's Report included in Appendix I to this document.

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

CONTINGENT LIABILITIES

We did not have any contingent liabilities as of the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any material off-balance sheet transactions.

KEY FINANCIAL RATIOS

	For the Year Ended/As of December 31,		
	2023	2024	2025
Net profit margin(1)	0.0%	1.6%	2.8%
Return on equity(2)	0.1%	4.4%	6.8%
Current ratio(3)	1.8	1.9	2.4
Quick ratio(4)	1.2	1.3	1.7

Notes:

(1) Net profit margin is calculated based on the net profit for each reporting year divided by the total revenue for each reporting year and multiplied by 100%.

(2) Return on equity is calculated based on the net profit for each reporting year divided by the total equity as at the end of each reporting year and multiplied by 100%.

(3) Current ratio is calculated based on total current assets divided by the total current liabilities as at the end of each reporting year.

(4) Quick ratio is calculated based on our total current assets excluding inventories divided by the total current liabilities as at the end of each reporting year.

FINANCIAL RISK MANAGEMENT AND POLICIES

Our principal financial instruments comprise financial investments at fair value through profit or loss, cash and cash equivalents and interest-bearing bank borrowings. We have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from our operations. The main risks arising from our financial instruments are credit risk and liquidity risk. For more details, see Note 39 to the Accountants' Report in Appendix I to this document. Our management reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign Currency Risk

We operate business both within and outside Chinese Mainland, with nearly all overseas operation transaction settled in USD. We are exposed to foreign currency risk with respect to the bank balances and receivables denominated in USD and EUR.

Credit Risk

We trade only with recognized and credit worthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalent deemed adequate by our management to finance the operations and mitigate the effects of fluctuations of cash flows.

DIVIDEND

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our distributable reserves amounted to approximately RMB26.9 million.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

For more details, please refer to "Unaudited [**REDACTED**] Financial Information" included in Appendix II to this document.

[REDACTED] EXPENSES

The total estimated [**REDACTED**] expenses in connection with the [**REDACTED**] are approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]), representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**]) and the [**REDACTED**] is not exercised, and of which approximately RMB[**REDACTED**] million is directly attributable to the [**REDACTED**] of the [**REDACTED**] which is expected to be accounted for as a deduction from equity upon the [**REDACTED**] in accordance with relevant accounting standards. The remaining estimated [**REDACTED**] expenses amount to approximately RMB[**REDACTED**], which is expected to be recognized as expenses. Such total estimated [**REDACTED**] expenses include (i) [**REDACTED**] expenses of RMB[**REDACTED**]; (ii) fees and expenses of legal advisers and reporting accountant of RMB[**REDACTED**]; and (iii) other fees and expenses of RMB[**REDACTED**].

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, save as disclosed in this document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2025, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this document.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE HONG KONG LISTING RULES

Our Directors have confirmed 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 of the Listing Rules.