The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make 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, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a global online fashion and lifestyle company serving approximately 273 million active customers in approximately 160 markets in 2025. We have reimagined the pursuit of fashion by offering a large, inclusive selection of constantly refreshed products that satisfy consumers' diverse needs, with great value for money. We help people embrace trendy lifestyles and express their individuality.

We have pioneered a proprietary operating model, LATR, which is the ultimate solution for resolving the industry's longstanding trilemma. This model enables us to achieve an optimal balance among product selection variety, design refreshment speed and inventory management efficiency. We have a global network of partners. As we make our supply chain more agile, strong and resilient, we empower our partners to thrive and grow together with us.

We generate our revenues primarily by selling apparel and other fashion and lifestyle products directly to consumers around the world through our mobile apps and websites. We procure products from a large number of supply chain partners and incur cost of sales. For our apparel products, we utilise LATR, which entails launching and testing products in small initial batches, followed by reordering strong sellers ahead of time through our end-to-end intelligent supply chain. As a result, we are able to achieve fast inventory turnover and maintain a low level of inventory written down and loss on inventory obsolescence. In addition, our LATR operating model is built on an agile global fulfilment network. We operate a global network of warehouses and collaborate with third-party logistics and payment service providers to fulfil customer orders around the world. Fulfilment expenses comprise the largest part of our operating expenses.

Our net revenues have grown substantially in recent years, reaching US$32.1 billion, US$38.7 billion and US$41.8 billion in 2023, 2024 and 2025, respectively. Our net revenues increased from US$9.0 billion in the three months ended 31 March 2025 to US$9.1 billion in the three months ended 31 March 2026. Our operating income was US$1,376 million, US$966 million and US$1,707 million in 2023, 2024 and 2025, respectively. Our operating income was US$348 million and US$258 million in the three months ended 31 March 2025 and 2026, respectively.

Our net income was US$2,789 million, US$3,365 million and US$2,064 million in 2023, 2024 and 2025, respectively. We recorded a net loss of US$99 million in the three months ended 31 March 2026, compared to net income of US$395 million in the same period in 2025.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and results of operations are affected by a number of general factors that impact online fashion and lifestyle companies, including, among other things, overall economic trends and their impact on consumer behaviour, pandemics and other public health crises, production and procurement costs, the competitive environment and geopolitical tensions.

For example, the COVID-19 outbreak and the resulting social distancing shifted consumer shopping from offline to online and accelerated e-commerce penetration. Meanwhile, it affected logistics service providers, upon which online retailers including us depend to deliver products to customers. For example, airfreight capacity decreased significantly and shipping costs increased significantly during the COVID-19 pandemic. See "A. Risks Related to Our Business and Growth Prospects — Macroeconomic and Other Matters — We face risks related to natural disasters, health epidemics and other outbreaks, wars and conflicts, and climate change and other environmental issues, which could significantly disrupt our operations and result in adverse economic changes that affect our business" in "Risk Factors".

In addition to these general factors, our results of operations are affected by the following company-specific factors.

Customer Purchases

Growth in the number of total orders is a key driver of our revenue growth. Total orders we fulfilled increased from 715 million in 2023 to 919 million in 2024 and to 1,078 million in 2025, and increased from 970 million in the twelve months ended 31 March 2025 to 1,090 million in the twelve months ended 31 March 2026. This growth was primarily attributable to our success in driving better customer engagement. We measure our effectiveness in customer engagement by analysing certain key operating data, including active customers and order frequency. Our annual active customers increased from 186 million in 2023 to 273 million in 2025 and increased from approximately 241 million in the twelve months ended 31 March 2025 to approximately 281 million in the twelve months ended 31 March 2026. Annual customer order frequency remained broadly stable at 3.8, 4.0 and 4.0 for the years ended 31 December 2023, 2024 and 2025, and 4.0 and 3.9 for the twelve months ended 31 March 2025 and 2026, respectively.

Increases in customer purchases are mainly driven by the attractiveness of our product offerings and our ability to successfully expand into new product categories or geographic markets. We offer a broad, constantly refreshed selection of products across multiple categories such as apparel, footwear, accessories, beauty, home, and lifestyle products, among others. Geographically, we sold products to customers across approximately 160 markets in 2025.

Supply Chain and Inventory Management

Our end-to-end intelligent supply chain, which is one of the pillars of our LATR operating model, enables speed and scale of new product launches, while minimising our inventory waste. Our end-to-end intelligent supply chain integrates a large number of supply chain partners. It synchronises supply chain workflows and allows us to plan and manage every major step of the supply chain process. The technology integration enabled by our software allows orders to be allocated automatically to the most suitable supply chain partners. We can significantly minimise restocking lead time, reducing inventory requirements and the risk of offering out-of-favour products. Our inventory turnover days were 35, 34, 36 and 38 days in 2023, 2024 and 2025 and the twelve months ended 31 March 2026, respectively. Our inventory written down and loss on inventory obsolescence represented approximately 1% to 2% of cost of sales in 2023, 2024 and 2025 and the three months ended 31 March 2026.

In addition to the efficiency of our supply chain and the effectiveness of LATR, our inventory level and turnover are affected by other factors, such as seasonality, changes in product cycles and pricing, promotions, changes in consumer spending patterns, changes in consumer tastes, fulfilment speed, acceptance rate of cash-on-delivery products, and processing time for returned products.

Fulfilment Capabilities

Our agile global fulfilment network is another pillar of our LATR operating model. Our results of operations depend in part on our ability to fulfil orders quickly and cost-effectively.

To optimise customer experience, we have a global network of warehouses and collaborate with third-party logistics and payment service providers to fulfil orders from around the world. Our end-to-end intelligent supply chain and our agile global fulfilment network allow fast delivery of customer orders globally. Effective order fulfilment is one of the key components of the experience we are focused on delivering to our customers. Our fulfilment expenses are affected by several factors such as the cost of logistics services and the development of logistics infrastructure in the local markets. Our scale allows us to negotiate with third-party logistics providers for more favourable terms. Our fulfilment expenses were US$13,501 million, US$16,847 million and US$19,072 million constituting 42.1%, 43.5% and 45.6% of our net revenues in 2023, 2024 and 2025, respectively. Our fulfilment expenses were US$3,831 million and US$4,322 million, constituting 42.8% and 47.7% of our net revenues in the three months ended 31 March 2025 and 2026, respectively.

Marketing Efficiency

While we believe our product offerings and customer experience are the key to attracting customers and driving customer engagement, our results of operations are also affected by the effectiveness of marketing activities. We have a vibrant online community and work with popular online influencers across the world to promote our brands and products. We also engage in a variety of performance-based marketing activities, including paid search, product listing advertisements, paid social, and search engine optimisation. Our online marketing efforts are further complemented by offline marketing and promotional activities mainly via marketing events, fashion shows, and showrooms. We incurred marketing expenses of US$3,453 million, US$4,159 million, US$6,191 million and US$1,430 million in 2023, 2024 and 2025 and the three months ended 31 March 2026, respectively, representing 10.8%, 10.7%, 14.8% and 15.8% of our net revenues in the same periods. We closely monitor our efficiency in acquiring new customers. We continually optimise customer acquisition spending by adjusting allocations across channels and geographies to maximise return on investment.

Exchange Rates

Our results of operations are affected by the fluctuations in foreign exchange rates. We allow our customers to pay us in their preferred currencies, including the US Dollar, Euro and other currencies. Our expenses and liabilities related to our supply chain, marketing and other partners are also denominated in a mix of currencies. Any significant appreciation or depreciation of a currency in which we generate revenues or in which our expenses and liabilities are denominated could have an impact on the results of our operations.

BASIS OF PREPARATION

Our consolidated financial statements are prepared in accordance with IFRS. The critical accounting estimates that we believe to have the most significant impacts on the preparation of the accompanying consolidated financial statements are described below.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements requires us to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

For further information on our significant accounting estimates, see Note 2A to the Accountants' Report in Appendix I to this document.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations and percentages of our total net revenues for the periods presented. This information should be read together with the consolidated financial information and related notes included elsewhere in this document. The results of operations in any period are not necessarily indicative of our future trends.

	For the Years Ended 31 December						For the Three Months Ended 31 March			
	2023		2024		2025		2025		2026	
							(unaudited)			
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(in millions, except for percentages)									
Net revenues	**32,103**	**100.0**	**38,748**	**100.0**	**41,847**	**100.0**	**8,952**	**100.0**	**9,052**	**100.0**
Operating expenses:										
Cost of sales(1)	(12,777)	(39.8)	(15,249)	(39.4)	(13,433)	(32.1)	(3,339)	(37.3)	(2,679)	(29.6)
Fulfilment expenses(2)	(13,501)	(42.1)	(16,847)	(43.5)	(19,072)	(45.6)	(3,831)	(42.8)	(4,322)	(47.7)
Marketing expenses(2)	(3,453)	(10.8)	(4,159)	(10.7)	(6,191)	(14.8)	(1,088)	(12.2)	(1,430)	(15.8)
Technology and content expenses(2)	(668)	(2.1)	(849)	(2.2)	(896)	(2.1)	(220)	(2.5)	(241)	(2.7)
General and administrative expenses(2)	(328)	(1.0)	(678)	(1.7)	(548)	(1.3)	(126)	(1.4)	(122)	(1.3)
Total operating expenses	**(30,727)**	**(95.7)**	**(37,782)**	**(97.5)**	**(40,140)**	**(95.9)**	**(8,604)**	**(96.1)**	**(8,794)**	**(97.1)**
Operating income	**1,376**	**4.3**	**966**	**2.5**	**1,707**	**4.1**	**348**	**3.9**	**258**	**2.9**
Fair value changes of convertible redeemable preferred shares	1,231	3.8	2,431	6.3	328	0.8	–	–	(328)	(3.6)
Share of income/(losses) from associates	(36)	(0.1)	(171)	(0.4)	3	0.0	(21)	(0.2)	(16)	(0.2)
Interest income	472	1.5	597	1.5	621	1.5	135	1.5	150	1.7
Exchange gain/(loss)	(34)	(0.1)	(55)	(0.1)	(95)	(0.2)	47	0.5	(72)	(0.8)
Others, net	(14)	(0.0)	1	0.0	(50)	(0.1)	(14)	(0.2)	(12)	(0.1)
Income/(loss) before income taxes	**2,995**	**9.3**	**3,769**	**9.7**	**2,514**	**6.0**	**495**	**5.5**	**(20)**	**(0.2)**
Income tax expense	(206)	(0.6)	(404)	(1.0)	(450)	(1.1)	(100)	(1.1)	(79)	(0.9)
Net income/(loss)	**2,789**	**8.7**	**3,365**	**8.7**	**2,064**	**4.9**	**395**	**4.4**	**(99)**	**(1.1)**

Notes:

(1) Includes inventory written down and loss on inventory obsolescence of US$121 million, US$199 million and US$185 million for the years ended 31 December 2023, 2024 and 2025, respectively, and US$53 million and US$47 million for the three months ended 31 March 2025 and 2026, respectively.

(2) Share-based compensation expenses were allocated as follows:

	For the Years Ended 31 December			For the Three Months Ended 31 March	
	2023	2024	2025	2025	2026
				(unaudited)	
	US$	*US$*	*US$*	*US$*	*US$*
			(in millions)		
Fulfilment expenses	15	17	28	7	9
Marketing expenses	9	17	16	4	5
Technology and content expenses	12	14	13	3	4
General and administrative expenses	13	23	28	8	8
Total	**49**	**71**	**85**	**22**	**26**

Net Revenues

We primarily derive our revenues from the sale of apparel and other fashion and lifestyle products through our mobile apps and websites, for which we recognise revenue at the point of time when the goods have been accepted by customers. The majority of customers pay for the goods in advance, with the rest paying upon acceptance of the goods. Sales related taxes collected from customers and remitted to governmental authorities are excluded from net revenues.

Our net revenues were US$32.1 billion, US$38.7 billion and US$41.8 billion in 2023, 2024 and 2025, respectively, and US$9.0 billion and US$9.1 billion in the three months ended 31 March 2025 and 2026, respectively. Our revenues were primarily recognised on a point-in-time basis.

We began to generate a small amount of service revenue from our newly launched marketplace business in the second half of 2022. Through our marketplace model, we allow third-party merchants and brands to sell products on our marketplace, and we may provide them with services including marketing and fulfilment and charge them service fees.

Below is a breakdown of our net revenues by region for the periods presented:

	For the Years Ended 31 December						For the Three Months Ended 31 March			
	2023		2024		2025		2025		2026	
							(unaudited)			
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(in millions, except for percentages)									
United States	9,454	29.4	10,464	27.0	10,101	24.1	2,380	26.6	2,040	22.5
Europe	10,214	31.8	13,603	35.1	14,802	35.4	2,843	31.7	2,908	32.1
Rest of the world	12,435	38.8	14,681	37.9	16,944	40.5	3,729	41.7	4,104	45.4
Total net revenues	**32,103**	**100.0**	**38,748**	**100.0**	**41,847**	**100.0**	**8,952**	**100.0**	**9,052**	**100.0**

Total Operating Expenses

The following table sets forth the components of our total operating expenses by amounts and percentages of our total net revenues for the periods presented:

	For the Years Ended 31 December						For the Three Months Ended 31 March			
	2023		2024		2025		2025		2026	
							(unaudited)			
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(in millions, except for percentages)									
Cost of sales	12,777	39.8	15,249	39.4	13,433	32.1	3,339	37.3	2,679	29.6
Fulfilment expenses	13,501	42.1	16,847	43.5	19,072	45.6	3,831	42.8	4,322	47.7
Marketing expenses	3,453	10.8	4,159	10.7	6,191	14.8	1,088	12.2	1,430	15.8
Technology and content expenses	668	2.1	849	2.2	896	2.1	220	2.5	241	2.7
General and administrative expenses	328	1.0	678	1.7	548	1.3	126	1.4	122	1.3
Total operating expenses	**30,727**	**95.7**	**37,782**	**97.5**	**40,140**	**95.9**	**8,604**	**96.1**	**8,794**	**97.1**

Cost of sales. Our cost of sales constituted 39.8%, 39.4%, 32.1% and 29.6% of our net revenues in 2023, 2024 and 2025 and the three months ended 31 March 2026, respectively. The fluctuations are attributable to various factors, including our pricing and promotional strategies and cost optimisation efforts, changes in the mix of geographic markets, changes in our product mix, and fluctuations in currency exchange rates. As our marketplace business further grows, our cost of sales as a percentage of net revenues will continue to be affected.

Fulfilment expenses. Fulfilment expenses primarily consist of payroll, bonus and benefits of staff for our fulfilment functions, rental expenses for warehouses, shipping and handling expenses, packaging expenses and costs attributable to product procurement. Tariffs and customs duties are also recognised as fulfilment expenses where goods are shipped directly from the Company's warehouse to overseas customers, as such costs are incurred to fulfil customer orders.

Marketing expenses. Marketing expenses primarily consist of payroll, bonus and benefits of marketing staff, advertising costs, agency fees and costs for promotional materials. We plan to continue to invest in our marketing efforts to drive the future growth of our business.

Technology and content expenses. Technology and content expenses primarily consist of payroll, bonus and benefits of the staff in the technology and system department, telecommunications expenses, model fees and photography expenses. We expect our technology and content expenses to increase in absolute amounts to support our business expansion and growth.

General and administrative expenses. General and administrative expenses primarily consist of payroll, bonus and benefit costs for corporate employees, legal, finance, rental expenses and other corporate overhead costs. We expect our general and administrative expenses to increase in absolute amounts as our business continues to grow.

Net Income/(Loss)

We generated net income of US$2,789 million, US$3,365 million and US$2,064 million in 2023, 2024 and 2025, respectively. We recorded a net loss of US$99 million in the three months ended 31 March 2026, compared to net income of US$395 million in the three months ended 31 March 2025.

Our net income/(loss) reflects the impact of (i) share of income/(losses) from associates, which was a loss of US$36 million, a loss of US$171 million and an income of US$3 million in 2023, 2024 and 2025, respectively, and a loss of US$21 million and a loss of US$16 million in the three months ended 31 March 2025 and 2026, respectively, (ii) impairment loss on other long-term investments, which was nil, US$55 million and nil in 2023, 2024 and 2025, respectively, and nil and nil in the three months ended 31 March 2025 and 2026, respectively, (iii) fair value changes of convertible redeemable preferred shares, comprising gains of US$1,231 million, US$2,431 million and US$328 million in 2023, 2024 and 2025, respectively, and nil in the three months ended 31 March 2025, and losses of US$328 million in the three months ended 31 March 2026, and (iv) share-based compensation expenses, which were US$49 million, US$71 million and US$85 million in 2023, 2024 and 2025, respectively, and US$22 million and US$26 million in the three months ended 31 March 2025 and 2026, respectively.

Our net income increased from US$2,789 million in 2023 to US$3,365 million in 2024, which was mainly attributable to (i) an increase in our net revenues, primarily due to the increase in total orders as a result of our success in driving better customer engagement; (ii) an increase in fair value changes of convertible redeemable preferred shares in 2024, mainly due to changes in the valuation of our Company; and (iii) a decrease in our cost of sales as a percentage of net revenues in 2024, reflecting a greater contribution from service revenues and cost optimisation efforts.

Despite an increase of US$0.7 billion in our operating income in 2025, our net income decreased from US$3,365 million in 2024 to US$2,064 million in 2025, which was mainly attributable to a decrease in fair value changes of convertible redeemable preferred shares from US$2.4 billion in 2024 to US$0.3 billion in 2025 due to changes in the valuation of our Company.

We recorded a net loss of US$99 million in the three months ended 31 March 2026, compared to net income of US$395 million in the three months ended 31 March 2025, which was mainly attributable to fair value losses on our convertible redeemable preferred shares of US$328 million in the three months ended 31 March 2026.

Taxation

Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to tax on our income or capital gains. In addition, upon payments of dividends by us to our Shareholders, no Cayman Islands withholding tax will be imposed.

Singapore

Our subsidiaries in Singapore are generally subject to the tax rate of 17% for the periods presented. Based on our assessment and relevant tax regulations, certain subsidiaries are entitled to the following concessionary tax treatment, as listed below:

Certain subsidiaries obtained the Development and Expansion Incentive in 2021 and 2023, under which the qualified income is taxed at a concessionary rate of 5% for a five-year concession period from the respective approval dates, subject to meeting the relevant terms and conditions. A subsidiary in Singapore obtained the Finance and Treasury Centre's incentive in 2023, under which the qualified income is taxed at a concessionary rate of 8% for a five-year concession period from the respective approval dates, subject to the subsidiary meeting the relevant terms and conditions.

United States

Our operations in the United States are subject to 21% of the applicable federal income tax rate and relevant state income tax rate for the years ended 31 December 2023, 2024, 2025 and the three months ended 31 March 2025 and 2026 according to the Tax Cuts and Jobs Act of 2017 of the United States, which was signed into law on 22 December 2017, effective 1 January 2018, for all corporations.

Europe

The applicable corporate income tax rates for our subsidiaries in Europe ranged from 12.5% to 31.9% for the years ended 31 December 2023, 2024, 2025 and the three months ended 31 March 2025 and 2026.

Chinese mainland

Our subsidiaries in the Chinese mainland are generally subject to the tax rate of 25% for the periods presented. Based on our assessment and relevant tax regulations, certain subsidiaries are entitled to concessionary tax treatment, as listed below:

Certain subsidiaries in the Chinese mainland are classified as a Technology Advanced Service Enterprise and are entitled to a concessionary tax rate of 15%, under the Law of the People's Republic of China on Enterprise Income Tax for the years ended 31 December 2023, 2024, 2025 and the three months ended 31 March 2025 and 2026. A subsidiary in the Chinese mainland is classified as a Software Enterprise and is entitled to a concessionary tax rate of 12.5% under the Law of the People's Republic of China on Enterprise Income Tax for the year ended 31 December 2023.

Pillar 2 model rules

The Organization for Economic Co-operation and Development (the "**OECD**") has proposed a global minimum tax of 15% on income arising from different jurisdictions ("**Pillar 2**"), which has been agreed upon in principle by many countries. Although the model rules provide a framework for applying the minimum tax, countries may enact Pillar 2 slightly differently from the model rules, on different timelines, and may adjust domestic tax incentives in response to Pillar 2.

Under these rules, the Pillar 2 effective tax rate ("**ETR**") is determined on a jurisdictional basis, and a top-up tax is payable where the jurisdictional ETR falls below 15%. Transitional Country-by-Country Safe Harbour rules ("**TCSH**") have been introduced to provide temporary relief from compliance obligations during the initial implementation period. Where the relevant TCSH conditions are met, no top-up tax is required to be paid for the respective jurisdictions.

For jurisdictions where the Pillar 2 rules became effective from 1 January 2024, the amount of incremental tax relating to Pillar 2 recorded by us for the year ended 31 December 2024 is not material. For the year ended 31 December 2025, we have identified certain jurisdictions where the Pillar 2 rules became effective from 1 January 2025 and with a jurisdictional ETR below 15%.

If our holding company in the Cayman Islands is deemed to be a tax resident of a jurisdiction other than the Cayman Islands, our Shareholders may be subject to tax on gains realised on the sale or other disposition of Shares or on the dividends we pay to them. Any such tax may reduce the returns on investment in the Shares. See "B. Risks Related to International Trade and Taxation — Tax Matters — If we are classified as a tax resident of certain jurisdictions for income tax purposes, such classification could result in unfavourable tax consequences to us and our Shareholders" in "Risk Factors."

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended 31 March 2026 Compared to Three Months Ended 31 March 2025

Net Revenues

Our net revenues increased by 1.1% from US$9.0 billion in the three months ended 31 March 2025 to US$9.1 billion in the three months ended 31 March 2026, primarily due to the increase in total orders fulfilled from 240 million in the first quarter of 2025 to 251 million in the first quarter of 2026, which was the result of our success in driving customer engagement. Such success was in turn attributable to our efforts to (i) continue to expand and refresh product offerings to drive market demand, (ii) enhance our advertising and marketing efforts to elevate brand awareness, (iii) continue to expand our business across different markets, and (iv) drive sales through promotional activities. Our active customers increased from 241 million in the twelve months ended 31 March 2025 to 281 million in the twelve months ended 31 March 2026, and our annual customer order frequency decreased from 4.0 in the twelve months ended 31 March 2025 to 3.9 in the twelve months ended 31 March 2026. In May 2025, the U.S. *de minimis* exemption was removed for Chinese imports, which, combined with the increase in U.S. tariffs, had an adverse impact on our sales in the U.S. and the overall growth of our net revenues in the second half of 2025 and the first quarter of 2026. The U.S. market net revenues decreased by 14.3% from US$2.4 billion in the three months ended 31 March 2025 to US$2.0 billion in the three months ended 31 March 2026, primarily due to a high comparable base in the first quarter of 2025 before the tariff measures were implemented. We have since observed signs of normalisation in consumer purchasing behaviour and sales trends.

Total Operating Expenses

Our total operating expenses increased by 2.2% from US$8.6 billion in the three months ended 31 March 2025 to US$8.8 billion in the three months ended 31 March 2026.

- *Cost of sales.* Our cost of sales decreased by 19.8% from US$3,339 million in the three months ended 31 March 2025 to US$2,679 million in the three months ended 31 March 2026. This decrease was driven by a number of factors, including the increasing portion of the marketplace model which does not incur cost of sales, our cost optimisation efforts, and fluctuations in currency exchange rates. Our cost of sales as a percentage of net revenues was 37.3% in the three months ended 31 March 2025 and decreased to 29.6% in the three months ended 31 March 2026, which was primarily due to the increasing portion of the marketplace model in our overall business, our pricing adjustments, and our cost optimisation efforts.

- *Fulfilment expenses.* Our fulfilment expenses increased by 12.8% from US$3,831 million in the three months ended 31 March 2025 to US$4,322 million in the three months ended 31 March 2026. This increase was primarily driven by the growth in order volume and the impact of changes in the U.S. tariffs on fulfilment costs. Our fulfilment expenses as a percentage of our net revenues increased from 42.8% in the three months ended 31 March 2025 to 47.7% in the three months ended 31 March 2026, mainly due to the impact of U.S. tariffs on fulfilment costs, as well as the increasing proportion of the marketplace model in our overall business. As we recognise service revenue for the marketplace model, which is a fraction of the product sale price, the growing proportion of the marketplace model led to a decline in net revenue per order, which further contributed to the increase in fulfilment expenses as a percentage of our net revenues.

- *Marketing expenses.* Our marketing expenses increased by 31.4% from US$1,088 million in the three months ended 31 March 2025 to US$1,430 million in the three months ended 31 March 2026. The increase in marketing expenses was primarily attributable to an increase in advertising costs from US$937 million in the three months ended 31 March 2025 to US$1,098 million in the three months ended 31 March 2026, which, in turn, was primarily due to our enhanced efforts to drive better customer engagement. As a result, our marketing expenses as a percentage of our net revenues increased from 12.2% in the three months ended 31 March 2025 to 15.8% in the three months ended 31 March 2026.

- *Technology and content expenses.* Our technology and content expenses increased by 9.5% from US$220 million in the three months ended 31 March 2025 to US$241 million in the three months ended 31 March 2026. The increase was primarily due to our business expansion and enhanced investment in technology to provide better customer experience and further strengthen our system capabilities.

- *General and administrative expenses.* Our general and administrative expenses decreased by 3.2% from US$126 million in the three months ended 31 March 2025 to US$122 million in the three months ended 31 March 2026, declining as a percentage of our net revenues from 1.4% to 1.3% and remaining at a relatively low level.

Operating Income

As a result of the foregoing, our operating income decreased from US$348 million in the three months ended 31 March 2025 to US$258 million in the three months ended 31 March 2026.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares were a loss of US$328 million in the three months ended 31 March 2026, compared to nil in the three months ended 31 March 2025. The change was primarily due to the modification of the terms of the convertible redeemable preferred shares in March 2026.

Share of Losses from Associates

Our share of losses from associates decreased from US$21 million in the three months ended 31 March 2025 to US$16 million in the three months ended 31 March 2026, which was mainly driven by year-over-year improvement in the operating results of SPARC, in which we made an equity investment in the second half of 2023.

Interest Income

Our interest income increased from US$135 million in the three months ended 31 March 2025 to US$150 million in the three months ended 31 March 2026.

Exchange Gain/(Loss)

We recorded exchange loss of US$72 million in the three months ended 31 March 2026, compared to exchange gain of US$47 million in the three months ended 31 March 2025, mainly due to fluctuations in exchange rates.

Others, Net

Our others, net decreased from a loss of US$14 million in the three months ended 31 March 2025 to a loss of US$12 million in the three months ended 31 March 2026.

Income Tax Expense

Our income tax expense decreased from US$100 million in the three months ended 31 March 2025 to US$79 million in the three months ended 31 March 2026. The decrease in income tax expense was mainly due to the decrease in earnings from our operating activities in the three months ended 31 March 2026 compared to the three months ended 31 March 2025. The change in the effective tax rate was mainly due to the continued expansion and development of our business activities and investments in different geographic markets, which resulted in a shift in the mix of earnings from our operating activities across jurisdictions and a greater share of earnings from our operating activities being generated in certain jurisdictions with relatively higher effective tax rates in the three months ended 31 March 2026, compared to the three months ended 31 March 2025.

Net Income/(Loss)

As a result of the foregoing, we incurred a net loss of US$99 million in the three months ended 31 March 2026, compared to net income of US$395 million in the three months ended 31 March 2025.

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

Net Revenues

Our net revenues increased by 8.0% from US$38.7 billion in 2024 to US$41.8 billion in 2025, primarily due to the increase in total orders fulfilled from 919 million in 2024 to 1,078 million in 2025, which was the result of our success in driving customer engagement. Such success was in turn attributable to our efforts to (i) continue to expand and refresh product offerings to drive market demand, (ii) enhance our advertising and marketing efforts to elevate brand awareness, (iii) continue to expand our business across different markets, and (iv) drive sales through promotional activities. Our active customers increased from 230 million in 2024 to 273 million in 2025, and our annual customer order frequency remained at 4.0 in 2024 and 2025. In May 2025, the U.S. *de minimis* exemption was removed for Chinese imports, which, combined with the increase in U.S. tariffs, had an adverse impact on our sales in the U.S. and the overall growth of our net revenues in 2025, though we have observed more normalized consumer behaviour since then.

Total Operating Expenses

Our total operating expenses increased by 6.2% from US$37.8 billion in 2024 to US$40.1 billion in 2025.

- *Cost of sales.* Our cost of sales decreased by 11.9% from US$15,249 million in 2024 to US$13,433 million in 2025. This decrease was driven by a number of factors, including the increasing portion of the marketplace model which does not incur cost of sales, our pricing adjustments, our cost optimisation efforts, and fluctuations in currency exchange rates. Our cost of sales as a percentage of net revenues was 39.4% in 2024 and decreased to 32.1% in 2025, which was primarily due to the decrease in cost of sales as discussed above.

- *Fulfilment expenses.* Our fulfilment expenses increased by 13.2% from US$16,847 million in 2024 to US$19,072 million in 2025. This increase was largely in line with the increase in sales volume. Our fulfilment expenses as a percentage of our net revenues increased from 43.5% in 2024 to 45.6% in 2025, mainly due to the increasing proportion of the marketplace model in our overall business. As we recognise service revenue for the marketplace model, which is a fraction of the product sale price, the growing proportion of the marketplace model led to a decline in net revenue per order. Although such decline was partially offset by reductions in fulfilment expense per order, the net effect was an increase in fulfilment expenses as a percentage of our net revenues.

- *Marketing expenses.* Our marketing expenses increased by 48.9% from US$4,159 million in 2024 to US$6,191 million in 2025. The increase in marketing expenses was primarily attributable to an increase in advertising costs from US$3,981 million in 2024 to US$5,009 million in 2025, which, in turn, was primarily due to our enhanced efforts to drive better customer engagement. As a result, our marketing expenses as a percentage of our net revenues increased from 10.7% in 2024 to 14.8% in 2025.

- *Technology and content expenses.* Our technology and content expenses increased by 5.5% from US$849 million in 2024 to US$896 million in 2025. The increase was primarily due to our business expansion and enhanced investment in technology to provide better customer experience and further strengthen our system capabilities.

- *General and administrative expenses.* Our general and administrative expenses decreased from US$678 million in 2024 to US$548 million in 2025, declining as a percentage of our net revenues from 1.7% to 1.3% and remaining at a relatively low level.

Operating Income

As a result of the foregoing, our operating income increased from US$966 million in 2024 to US$1,707 million in 2025.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares decreased from US$2,431 million in 2024 to US$328 million in 2025. The decrease was primarily due to changes in the valuation of our Company.

Share of Income/(Losses) from Associates

We recorded share of income from associates of US$3 million in 2025, compared to share of losses from associates of US$171 million in 2024. The share of income from associates in 2025 was mainly driven by income of our associates, partially offset by losses incurred by SPARC, in which we made an equity investment in the second half of 2023.

Interest Income

Our interest income increased from US$597 million in 2024 to US$621 million in 2025.

Exchange Gain/(Loss)

Our exchange loss increased from US$55 million in 2024 to US$95 million in 2025, mainly due to fluctuations in exchange rates.

Others, Net

Our others, net in 2025 was a loss of US$50 million, compared to a gain of US$1 million in 2024.

Income Tax Expense

Our income tax expense increased from US$404 million in 2024 to US$450 million in 2025. The increase in income tax expense was mainly due to the increase in earnings from our operating activities in 2025 compared to 2024. Furthermore, since 2024, a growing number of jurisdictions have adopted the minimum tax rules under the OECD's BEPS 2.0 initiative, which also contributed to the increase in our income tax expense in 2025. The change in the effective tax rate was mainly due to the continued expansion and development of our business activities and investments in different geographic markets, which resulted in a shift in the mix of earnings from our operating activities across jurisdictions and a greater share of earnings from our operating activities being generated in certain jurisdictions with relatively lower effective tax rates in 2025, compared to 2024.

Net Income

As a result of the foregoing, our net income decreased by 38.7% from US$3,365 million in 2024 to US$2,064 million in 2025.

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

Net Revenues

Our net revenues increased by 20.7% from US$32.1 billion in 2023 to US$38.7 billion in 2024, primarily due to the increase in total orders fulfilled from 715 million in 2023 to 919 million in 2024, which was the result of our success in driving customer engagement. Such success was in turn attributable to our efforts to (i) continue to expand and refresh product offerings to drive market demand, (ii) enhance our advertising and marketing efforts to elevate brand awareness, (iii) continue to expand our business across different markets, and (iv) drive sales through promotional activities. Our active customers increased from 186 million in 2023 to 230 million in 2024, and our order frequency increased from 3.8 in 2023 to 4.0 in 2024.

Total Operating Expenses

Our total operating expenses increased by 23.0% from US$30.7 billion in 2023 to US$37.8 billion in 2024.

- *Cost of sales*. Our cost of sales increased by 19.3% from US$12,777 million in 2023 to US$15,249 million in 2024. This increase was largely in line with the increase in our sales volume. Our cost of sales as a percentage of net revenues was 39.8% in 2023 and decreased to 39.4% in 2024.

- *Fulfilment expenses.* Our fulfilment expenses increased by 24.8% from US$13,501 million in 2023 to US$16,847 million in 2024. This increase was largely in line with the increase in sales volume. Our fulfilment expenses as a percentage of our net revenues increased from 42.1% in 2023 to 43.5% in 2024, primarily due to the increasing proportion of the marketplace model in our overall business. As we recognise service revenue for the marketplace model, which is a fraction of the product sale price, the fulfilment expenses as a percentage of our service revenue derived from the marketplace model are higher than the fulfilment expenses as a percentage of our product revenue.

- *Marketing expenses.* Our marketing expenses increased by 20.4% from US$3,453 million in 2023 to US$4,159 million in 2024. The increase in marketing expenses was primarily attributable to an increase in advertising costs from US$3,316 million in 2023 to US$3,981 million in 2024, which, in turn, was primarily due to our enhanced efforts to drive better customer engagement. Our marketing expenses as a percentage of our net revenues were 10.8% in 2023 and 10.7% in 2024, remaining relatively stable.

- *Technology and content expenses.* Our technology and content expenses increased by 27.1% from US$668 million in 2023 to US$849 million in 2024. The increase was primarily attributable to (i) an increase in payroll, bonus and benefits of the staff in the technology and system department from US$214 million in 2023 to US$307 million in 2024, primarily due to an increase in technology staff headcount from approximately 2,400 to approximately 4,000, and (ii) an increase in cloud services and big data technologies expenses, primarily due to our business expansion and enhanced investment in technology to provide better customer experience and further strengthen our system capabilities.

- *General and administrative expenses.* Our general and administrative expenses increased significantly from US$328 million in 2023 to US$678 million in 2024. The increase was primarily a result of our business expansion and continued localisation efforts, as we incurred additional expenses in expanding into and within different geographic markets and building up our local operations.

Operating Income

As a result of the foregoing, our operating income decreased by 29.8% from US$1,376 million in 2023 to US$966 million in 2024. Our operating income as a percentage of net revenues decreased from 4.3% in 2023 to 2.5% in 2024, which was due to various reasons, including (i) the increase in our fulfilment expenses and general and administrative expenses as a percentage of our net revenues in 2024; (ii) changes in the mix of products, with a higher proportion of sales generated from product categories with relatively lower margins such as home & living, as we continued to expand our product offerings, and changes in the geographic markets, as we entered new markets in 2024 and incurred additional expenses to support such expansion; and (iii) adjustment in pricing and promotional activities, as we intensified our sales and marketing initiatives such as discounting and sales events in 2024 to drive sales, including in the newly entered markets.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares increased from US$1,231 million in 2023 to US$2,431 million in 2024, mainly due to changes in the valuation of our Company.

Share of Income/Losses from Associates

We recorded share of losses from associates of US$171 million in 2024, compared to share of losses from associates of US$36 million in 2023. The share of losses from associates in 2024 was mainly due to losses incurred by SPARC, in which we made an equity investment in the second half of 2023.

Interest Income

Our interest income increased by 26.5% from US$472 million in 2023 to US$597 million in 2024, mainly due to an increase in interest-bearing bank deposits.

Exchange Gain/Loss

Our exchange loss increased from US$34 million in 2023 to US$55 million in 2024, mainly due to fluctuations in exchange rates.

Others, Net

Our others, net in 2024 was a gain of US$1 million, compared to a loss of US$14 million in 2023.

Income Tax Expense

Our income tax expense increased from US$206 million in 2023 to US$404 million in 2024. The change in the effective tax rate was mainly due to the continued expansion and development of our business activities and investments in different geographic markets, which resulted in a shift in the mix of earnings from our operating activities across jurisdictions and a greater share of earnings from our operating activities being generated in certain markets with relatively higher effective tax rates in 2024, compared to 2023. For example, we are subject to a federal corporate income tax rate of 21% in the U.S. and tax rates ranging from 12.5% to 31.9% in Europe. See "— Description of Major Components of Our Results of Operations — Taxation." In 2024, a greater share of earnings from our operating activities was generated by our local subsidiaries in the U.S. and Europe, which are subject to the higher effective tax rates in those markets.

Net Income

As a result of the foregoing, our net income increased by 20.7% from US$2,789 million in 2023 to US$3,365 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of 31 December			As of 31 March	As of 31 May
	2023	**2024**	**2025**	**2026**	**2026**
					(unaudited)
	US$	*US$*	*US$*	*US$*	*US$*
			(in millions)		
Current assets					
Cash and cash equivalents and restricted cash	3,931	3,390	5,031	4,873	3,692
Short-term investments	6,265	8,086	9,723	9,929	11,592
Receivables and prepayments	1,096	1,783	1,252	1,577	2,398
Inventories	1,637	1,500	1,261	1,384	1,527
Other current assets	88	127	326	383	448
Total current assets	**13,017**	**14,886**	**17,593**	**18,146**	**19,657**
Current liabilities					
Accounts payable	2,749	2,935	3,019	3,234	4,060
Accrued expenses and other current liabilities*	1,958	2,814	3,268	4,134	4,414
Contract liabilities	694	770	789	1,016	1,362
Income tax payable	707	771	933	972	952
Convertible redeemable preferred shares, current portion	–	–	18,048	17,294	17,294
Total current liabilities	**6,108**	**7,290**	**26,057**	**26,650**	**28,082**
Net current assets/(liabilities)	**6,909**	**7,596**	**(8,464)**	**(8,504)**	**(8,425)**

* Below is a breakdown of accrued expenses and other current liabilities as at the dates indicated:

	As of 31 December			As of 31 March	As of 31 May
	2023	2024	2025	2026	2026
					(unaudited)
	US$	*US$*	*US$*	*US$*	*US$*
			(in millions)		
Accrued advertising expense	262	480	468	596	616
Accrued payroll and staff welfare	197	281	303	327	240
Accrued IT service expense	144	197	193	172	166
Refund liabilities	223	344	464	446	520
Refund payables	95	100	131	135	147
Payable to purchase property and equipment	69	99	60	62	63
Other taxes payables	458	525	553	559	709
Lease liabilities	122	191	233	234	243
Payables to marketplace merchants	217	232	286	302	385
Refundable deposits	12	43	124	133	145
Accrued reusable material processing costs	12	47	108	107	104
Distribution payables to certain holders of convertible redeemable preferred shares	–	–	–	713	713
Others	147	275	345	348	363
Accrued expenses and other current liabilities	1,958	2,814	3,268	4,134	4,414

We had net current assets as of 31 December 2023 and 2024, and recorded net current liabilities as of 31 December 2025, 31 March 2026 and 31 May 2026. The increase in net current assets from 31 December 2023 to 31 December 2024 was primarily due to an increase in short-term investments as we purchased more short-term investments with the cash generated from our growing business. The change from net current assets as of 31 December 2024 to net current liabilities as of 31 December 2025 was primarily because we recorded the current portion of convertible redeemable preferred shares as of 31 December 2025, mainly attributable to the reclassification of convertible redeemable preferred shares from non-current liabilities to current liabilities. The increase in net current liabilities from 31 December 2025 to 31 March 2026 was primarily due to an increase in accrued expenses and other current liabilities. The decrease in net current liabilities from 31 March 2026 to 31 May 2026 was primarily due to an increase in short-term investments.

Non-Current Assets and Non-Current Liabilities

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

	As of 31 December			As of 31 March
	2023	2024	2025	2026
	US$	*US$*	*US$*	*US$*
		(in millions)		
Non-current assets				
Property and equipment	396	551	619	634
Right of use assets	497	959	1,105	1,122
Intangible assets	40	39	38	38
Non-current restricted cash	78	34	32	29
Deferred tax assets	81	94	102	103
Investments in associates	470	251	266	246
Investments at fair value through profit or loss	82	169	158	163
Long-term time deposits	–	211	–	–
Other non-current assets	157	127	120	128
Non-current liabilities				
Convertible redeemable preferred shares, non-current portion	20,807	18,376	–	–
Deferred tax liabilities	1	7	5	5
Lease liabilities	407	744	868	891
Other long-term liabilities	6	1	–*	21

* Less than US$1 million

Receivables from Payment Platforms and Service Providers

Receivables from payment platforms and service providers mainly represent amounts due from online payment channels and delivery service providers who collect the payments from customers on our behalf upon delivery and are recorded net of allowance for credit losses, if any. As of 31 December 2023, 2024 and 2025 and 31 March 2026, our receivables from payment platforms and service providers were US$823 million, US$1,303 million, US$718 million and US$919 million, respectively.

The following is an aged analysis of trade receivables from customers, which is included in receivables from payment platforms and service providers, net of allowance, for credit losses presented based on the invoice dates at the end of each reporting period.

	As of 31 December			As of 31 March
	2023	2024	2025	2026
	US$	*US$*	*US$*	*US$*
	(in millions)			
Within 3 months	1	6	15	18
3 – 12 months	–	2	4	4
1 – 2 years	1	–*	–*	–*
	2	8	19	22

* Less than US$1 million.

As of 31 May 2026, US$916 million, or 99.7%, of our receivables from payment platforms and service providers as of 31 March 2026 had been settled.

Contract liabilities

Our contract liabilities represent the obligation to transfer goods or services to customers for which we have received consideration from customers. We record advances from customers as the substantial majority of our customers pay for goods in advance. As of 31 December 2023, 2024 and 2025 and 31 March 2026, our contract liabilities were US$694 million, US$770 million, US$789 million and US$1,016 million, respectively. The increase was primarily due to the growth in our sales volume. The turnover days for our net revenues were -12, -12, -12 and -13 days in 2023, 2024 and 2025 and for the twelve months ended 31 March 2026, respectively, remaining relatively stable across the periods. The turnover days for net revenues for a given year is equal to average of quarterly contract liabilities and refund liabilities balances divided by net revenues during the year and then multiplied by 360. The turnover days for net revenues for the twelve months ended 31 March 2026 is equal to average of four recent quarterly contract liabilities and refund liabilities balances divided by net revenues for the trailing four quarters and then multiplied by 360.

As of 31 May 2026, US$857 million, or 84%, of our contract liabilities as of 31 March 2026 had been settled.

Inventories

Our inventories mainly include finished goods. As of 31 December 2023, 2024 and 2025 and 31 March 2026, our inventories were US$1,637 million, US$1,500 million, US$1,261 million and US$1,384 million, respectively. The decrease from 31 December 2023 to 31 December 2024 and again from 31 December 2024 to 31 December 2025 was primarily due to our enhanced efforts to reduce inventories. The increase from 31 December 2025 to 31 March 2026 was primarily due to extended in-transit lead time resulting from the disruption of certain international shipping routes due to the Iran War. Our inventory turnover days were 35, 34, 36 and 38 days in 2023, 2024 and 2025 and for the twelve months ended 31 March 2026, respectively, remaining relatively stable. Our inventory turnover days for a given year is equal to average balances of inventories, net at the end of each quarter of the year divided by cost of sales during the year and then multiplied by 360. Our inventory turnover days for the twelve months ended 31 March 2026 is equal to average balances of inventories, net at the end of four trailing quarters divided by cost of sales for the trailing four quarters and then multiplied by 360.

As of 31 December 2023, 2024 and 2025 and 31 March 2026, over 95% of our inventories were aged within 12 months.

As of 31 May 2026, US$999 million, or 72%, of our inventories as of 31 March 2026 had been sold.

Accounts Payable

Our accounts payable primarily include accounts payable to our supply chain partners and fulfilment service providers. As of 31 December 2023, 2024 and 2025 and 31 March 2026, our accounts payable were US$2,749 million, US$2,935 million, US$3,019 million and US$3,234 million, respectively. The increase from 31 December 2023 to 31 December 2024, and further to 31 December 2025 and 31 March 2026, was primarily driven by the increase in purchases of goods from supply chain partners and fulfilment volume as a result of the expected growth in our sales volume. Our accounts payable turnover days were 33, 32, 34 and 34 days in 2023, 2024 and 2025 and for the twelve months ended 31 March 2026, respectively. During the Track Record Period, our accounts payable turnover days remained relatively stable. Accounts payable turnover days for a given year is equal to average accounts payable at the end of each quarter of the year divided by total of cost of sales and fulfilment expenses during the year and then multiplied by 360. Accounts payable turnover days for the twelve months ended 31 March 2026 is equal to average balances of accounts payable at the end of four trailing quarters divided by cost of sales and fulfilment expenses for the trailing four quarters and then multiplied by 360.

The following is an aged analysis of accounts payable presented based on the invoice dates at the end of each reporting period.

	As of 31 December			As of 31 March
	2023	**2024**	**2025**	**2026**
	US$	*US$*	*US$*	*US$*
		(in millions)		
Within 3 months	2,691	2,833	2,792	2,926
3 – 12 months	44	45	163	197
1 – 2 years	13	54	43	85

	As of 31 December			As of 31 March
	2023	2024	2025	2026
	US$	*US$*	*US$*	*US$*
	(in millions)			
Over 2 years	1	3	21	26
	2,749	2,935	3,019	3,234

As of 31 May 2026, US$2,637 million, or 82%, of our accounts payable as of 31 March 2026 had been settled.

Income Tax Payable

Our income tax payable represents current income tax obligations that have been incurred in the ordinary course of business or transactions but not yet paid to the relevant tax authorities. As of 31 December 2023, 2024 and 2025 and 31 March 2026, our income tax payable was US$707 million, US$771 million, US$933 million and US$972 million, respectively. The increase was primarily due to the increase in income tax expense as a result of the growth in our business.

As of 31 May 2026, US$60 million, or 6%, of our income tax payable as of 31 March 2026 had been settled.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	For the Years Ended 31 December			For the Three Months Ended 31 March	
	2023	2024	2025	2025	2026
				(unaudited)	
Net revenues growth	41.1%	20.7%	8.0%	N/A	1.1%
Operating margin[1]	4.3%	2.5%	4.1%	3.9%	2.9%
Net margin[2]	8.7%	8.7%	4.9%	4.4%	(1.1)%

Notes:

(1) Calculated using operating income divided by net revenues for the year/period.

(2) Calculated using net income/loss divided by net revenues for the year/period.

Our net margin remained stable at 8.7% in 2023 and 2024. Our net margin decreased from 8.7% in 2024 to 4.9% in 2025, which was mainly driven by a decrease in fair value changes of convertible redeemable preferred shares in 2025 primarily resulting from changes in the valuation of our Company, partially offset by an improvement in operating margin in 2025. Our net margin changed from 4.4% in the three months ended 31 March 2025 to negative 1.1% in the three months ended 31 March 2026, primarily due to fair value losses on our convertible redeemable preferred shares of US$328 million, representing approximately 3.6% of net revenues, in the three months ended 31 March 2026. See "— Description of Major Components of Our Results of Operations — Net Income/(Loss)" for a discussion of the fluctuations in our net income during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, our primary sources of liquidity have been cash flows from operations and proceeds from equity financings. Cash and cash equivalents consist of cash on hand, demand deposits, and highly liquid investments with original maturity of three months or less that are unrestricted from withdrawal or use. Restricted cash mainly represents security deposits held in designated bank accounts for issuance of bank acceptance and letter of guarantee for logistics services and for warehouse leases. Short-term investments consist primarily of fixed-term deposits that are offered by high credit rating international banks with maturity dates ranging from three months to one year. The substantial majority of our customers pay for goods in advance, which, coupled with our asset-light business model, allows us to maintain good operating cash flow.

A majority of our cash, cash equivalents and restricted cash were denominated in US Dollars as of 31 March 2026. As of 31 March 2026, our short-term investments were predominantly denominated in US Dollars.

Our Directors are of the view that, taking into account the financial resources available to us, including cash and cash equivalents, our available banking facilities, cash flows from operating activities and [**REDACTED**] from the [**REDACTED**], we have sufficient working capital for at least 12 months from the date of this document.

The cash resources we consider in cash management include, but are not limited to, cash and cash equivalents, restricted cash, short-term investments, and long-term time deposits. As of 31 December 2023, 2024 and 2025 and 31 March 2026, the aggregate amounts of our cash resources were US$10,274 million, US$11,721 million, US$14,786 million and US$14,831 million, respectively.

The following table sets forth a summary of our cash flows for the periods presented:

	For the Years Ended 31 December			For the Three Months Ended 31 March	
	2023	2024	2025	2025	2026
				(unaudited)	
	US$	*US$*	*US$*	*US$*	*US$*
			(in millions)		
Selected Consolidated Statements of Cash Flow Data:					
Net cash generated from operating activities	1,757	1,405	2,838	1,058	392
Net cash used in investing activities	(4,168)	(1,820)	(1,066)	(310)	(122)
Net cash generated from/(used in) financing activities	1,599	(206)	(284)	(66)	(429)
Effect of exchange rate changes on cash and cash equivalents	36	32	88	(6)	(9)
Net (decrease)/increase in cash and cash equivalents	(776)	(589)	1,576	676	(168)
Cash and cash equivalents at beginning of the year/period	4,270	3,494	2,905	2,905	4,481
Cash and cash equivalents at end of the year/period	3,494	2,905	4,481	3,581	4,313

Operating Activities

Net cash generated from operating activities in the three months ended 31 March 2026 was US$392 million, as compared to loss before income taxes of US$20 million for the same period. The difference was primarily due to adjustments, mainly consisting of an increase of US$328 million in fair value changes of convertible redeemable preferred shares, partially offset by a decrease of US$150 million in interest income. In addition to these changes, the difference between our net cash generated from operating activities and our loss before income taxes was also due to certain changes in our working capital accounts, primarily due to an increase of US$235 million in contract liabilities and an increase of US$222 million in accounts payable, partially offset by an increase of US$209 million in receivables from payment platforms and service providers.

Net cash generated from operating activities in 2025 was US$2,838 million, as compared to income before income taxes of US$2,514 million for the same period. The difference was primarily due to a decrease of US$647 million in receivables from payment platforms and service providers and an increase of US$334 million in accrued expenses and other current liabilities, partially offset by an increase of US$204 million in other receivables, prepayments and other assets. The decrease in receivables from payment platforms and service providers was mainly due to our effective collection from such platforms and providers, while the increase in other receivables, prepayments and other assets and accrued expenses and other current liabilities reflected our significant business growth. In addition to these changes in our working capital accounts, the difference between our net cash generated from operating activities and our income before income taxes was also due to the impact of certain other items, in particular, depreciation of right-of-use assets of US$247 million, inventory written down and loss on inventory obsolescence of US$185 million and depreciation and amortisation expenses of property and equipment and intangible assets of US$151 million, partially offset by a decrease of US$621 million in interest income and a decrease of US$328 million in fair value changes of convertible redeemable preferred shares.

Net cash generated from operating activities in 2024 was US$1,405 million, as compared to income before income taxes of US$3,769 million for the same period. The difference was primarily due to adjustments, mainly consisting of a decrease of US$2,431 million in fair value changes of convertible redeemable preferred shares and a decrease of US$597 million in interest income, partially offset by an increase of US$200 million in depreciation of right-of-use assets, an increase of US$199 million in inventory written down and loss on inventory obsolescence and an increase of US$171 million in share of losses from associates. In addition to these changes, the difference between our net cash generated from operating activities and our income before income taxes was also due to certain changes in our working capital accounts, primarily including an increase of US$542 million in receivables from payment platforms and service providers and an increase of US$286 million in other receivables, prepayments and other assets, partially offset by an increase of US$854 million in accrued expenses and other current liabilities.

Net cash generated from operating activities in 2023 was US$1,757 million, as compared to income before income taxes of US$2,995 million for the same period. The difference was primarily due to adjustments, mainly consisting of a decrease of US$1,231 million in fair value changes of convertible redeemable preferred shares and a decrease of US$472 million in interest income, partially offset by an increase of US$121 million in inventory written down and loss on inventory obsolescence and an increase of US$119 million in depreciation of right-of-use assets. In addition to these changes, the difference between our net cash generated from operating activities and our income before income taxes was also due to certain changes in our working capital accounts, primarily including an increase of US$862 million in inventories and an increase of US$309 million in receivables from payment platforms and service providers, partially offset by an increase of US$927 million in accounts payable and an increase of US$725 million in accrued expenses and other current liabilities.

Investing Activities

Net cash used in investing activities in the three months ended 31 March 2026 was US$122 million, consisting primarily of placement of short-term time deposits of US$3,549 million, partially offset by proceeds from redemption of short-term investments upon maturities of US$3,325 million.

Net cash used in investing activities in 2025 was US$1,066 million, consisting primarily of placement of short-term time deposits of US$12,023 million, placement of restricted cash of US$648 million and purchases of property and equipment of US$222 million, partially offset by proceeds from redemption of short-term investments upon maturities of US$10,715 million.

Net cash used in investing activities in 2024 was US$1,820 million, consisting primarily of placement of short-term time deposits of US$13,029 million, placement of long-term time deposits of US$602 million, placement of restricted cash of US$470 million and purchases of property and equipment of US$285 million, partially offset by proceeds from redemption of short-term investments upon maturity of US$11,567 million.

Net cash used in investing activities in 2023 was US$4,168 million, consisting primarily of placement of short-term time deposits of US$5,746 million, placement of restricted cash of US$581 million, purchases of property and equipment of US$190 million and prepayment for land use rights of US$102 million, partially offset by proceeds from redemption of short-term investments upon maturity of US$1,853 million.

We operate under a management approved treasury policy (reviewed at least annually) that prioritises capital preservation and liquidity over yield and prohibits speculative trading and the use of leverage. Counterparty risk is managed through a pre-approved list of financial institutions that meet minimum long-term credit-rating thresholds and are subject to concentration limits. We invest mainly in short-dated bank deposits and certificates of deposit, within defined credit, tenor and concentration limits. Under our chief financial officer's oversight, investments follow a documented approval workflow with segregation of duties and dual authorisation. Exposures, performance and limit utilisation are monitored on an ongoing basis; any limit breaches are escalated and remedied in accordance with defined procedures.

Financing Activities

Net cash used in financing activities in the three months ended 31 March 2026 was US$429 million, primarily attributable to distribution to certain holders of convertible redeemable preferred shares of US$369 million and total lease payments of US$74 million.

Net cash used in financing activities in 2025 was US$284 million, primarily attributable to lease payments.

Net cash used in financing activities in 2024 was US$206 million, primarily attributable to lease payments.

Net cash generated from financing activities in 2023 was US$1,599 million, primarily due to proceeds from the issuance of preferred shares of US$1,737 million, partially offset by total lease payments of US$127 million.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purposes of purchasing land use rights, property and equipment and constructing warehouses to expand our warehouse infrastructure and improve automation and efficiency of our warehouse operations. Our cash capital expenditures for purchases of property and equipment were US$190 million in 2023, US$285 million in 2024, US$222 million in 2025 and US$60 million in the three months ended 31 March 2026. In 2023, we made a prepayment of US$102 million for the land use rights over another parcel of land to build our warehouses. In 2024 and 2025 and the three months ended 31 March 2026, we paid US$285 million, US$222 million and US$60 million, respectively, primarily to purchase machinery equipment used in our warehouses. We intend to fund our future capital expenditures with our existing cash balance and bank loans. We expect to continue to make well-planned capital expenditures to meet the expected growth of our business.

INDEBTEDNESS

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

	As of 31 December			As of 31 March	As of 31 May
	2023	**2024**	**2025**	**2026**	**2026**
					(unaudited)
	US$	*US$*	*US$* (*in millions*)	*US$*	*US$*
Lease liabilities:					
Current (included in accrued expenses and other current liabilities)	122	191	233	234	243
Non-current (included in lease liabilities)	407	744	868	891	897
Convertible redeemable preferred shares	20,807	18,376	18,048	17,294	17,294
Amount due to a related party	–	6	–	–	–
Total	**21,336**	**19,317**	**19,149**	**18,419**	**18,434**

Lease Liabilities

We have operating leases for certain warehouses and office space. As of 31 December 2023, 2024 and 2025, 31 March 2026 and 31 May 2026, our total lease liabilities, including current and non-current portion, were US$529 million, US$935 million, US$1,101 million, US$1,125 million and US$1,140 million, respectively.

Convertible Redeemable Preferred Shares

We issued multiple series of convertible redeemable preferred shares which are designated as financial liabilities at fair value through profit or loss, and initially recognised at fair value on the date of issuance. The carrying amounts of these convertible redeemable preferred shares are US$20,807 million, US$18,376 million, US$18,048 million, US$17,294 million and US$17,294 million as of 31 December 2023, 2024 and 2025 and 31 March 2026 and 31 May 2026, respectively. Such convertible redeemable preferred shares will be converted into Class B Shares immediately before completion of the [**REDACTED**]. For details of the convertible redeemable preferred shares, see Note 16 to the Accountants' Report in Appendix I.

Amount Due to a Related Party

As of 31 December 2024, we had non-trade payable to a related party of US$6 million. The balance was unsecured, non-interest bearing and non-trade in nature, and was fully settled by 31 December 2025.

Except as disclosed above, as of 31 May 2026, the latest date for determining our indebtedness, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since 31 May 2026 up to the date of this document.

As of 31 May 2026, we had approximately US$243 million unutilized banking facilities.

CONTINGENT LIABILITIES

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

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of 31 March 2026:

	Payment Due by Period US$ (in millions)			
	Total	Less than 1 year	1-5 years	Over 5 Years
Capital commitments	249	89	103	57
Operating lease commitments	10	4	6	–*

* Less than US$1 million

Capital commitments relate to the purchase of property and equipment and the construction of warehouses.

Operating lease commitments relate to leases for certain warehouses and office space that have been entered into but have not yet commenced. Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of 31 March 2026.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details relating to our related party transactions, see "Related Party Transactions" and Note 21 to the Accountants' Report set out in Appendix I to this document. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in the accompanying consolidated financial information. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

HOLDING COMPANY STRUCTURE

SHEIN Global Holdings Limited is a holding company with no material operations of its own. We currently conduct our operations mainly through our subsidiaries in China, Singapore, the United States, Ireland, the United Kingdom, the United Arab Emirates and elsewhere. As a result, although other means are available for us to obtain financing at the holding company level, SHEIN Global Holdings Limited's ability to pay dividends to the Shareholders and to service any debt it may incur may depend upon dividends paid by our revenue-generating subsidiaries. If any of our subsidiaries incurs debt on its own behalf, the instruments governing such debt may restrict its ability to pay dividends to SHEIN Global Holdings Limited. Our subsidiaries in certain jurisdictions may also be subject to regulatory restrictions when distributing dividends. For example, our subsidiaries in Singapore may only pay dividends out of profit.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK

We are exposed to a variety of financial risks, including foreign exchange risk and interest rate risk. For details, see Note 2 to the Accountants' Report set out in Appendix I to this document.

Foreign Exchange Risk

Our results of operations are affected by the fluctuations in foreign exchange rates. We allow our customers to pay us in their preferred currencies, including the US Dollar, Euro and other currencies. Our expenses and liabilities related to our supply chain, marketing and other partners are also denominated in a mix of currencies. Any significant appreciation or depreciation of a currency in which we generate revenues or in which our expenses and liabilities are denominated could have an impact on our results of operations. We have not used any derivative financial instruments to hedge exposure to such risk.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

Following the [**REDACTED**], we may invest the net [**REDACTED**] that we receive from the [**REDACTED**] in interest-earning instruments. Investments in both fixed rate and floating rate interest-earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

DIVIDEND POLICY

We intend to adopt, before the [**REDACTED**], a dividend policy pursuant to which we target to declare and distribute dividends on an annual basis after the [**REDACTED**] in an amount not less than 50% of our net profit generated in a fiscal year after deducting any significant capital expenditures or as otherwise authorized by the Board.

Our Board has absolute discretion on whether to declare and distribute dividends, subject to Cayman Islands laws and the Articles of Association. Even after the adoption of the above dividend policy, the decision on whether to declare dividends and the exact amount of any such distributions in any year will be based upon our Company's operations and earnings, cash flow, financial condition, general business conditions and strategies, capital requirements, future business prospects, statutory and contractual restrictions applying to the payment of dividends and other factors that our Board may consider relevant, and will be subject to adjustment and determination by the Board and compliance with applicable laws and regulations. In addition, our Shareholders in general meeting may declare dividends, but no dividend may be declared in excess of the amount recommended by our Board. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that we may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in us being unable to pay our debts as they fall due in the ordinary course of business. As advised by our legal adviser as to Cayman Islands law, the financial position of accumulated losses does not necessarily prohibit a Cayman Islands company from declaring and paying dividends, as dividends may be declared and paid out of the share premium account notwithstanding the company's profitability.

During the Track Record Period, no dividends were paid or declared by us. See "Risk Factors — J. Risks Related to Our Class B Shares and the [**REDACTED**] — We cannot assure you that we will declare and distribute any amount of dividends in the future, and the return on your investment in our Class B Shares will likely depend on price appreciation of our Class B Shares."

DISTRIBUTABLE RESERVES

As at 31 March 2026, we did not have any distributable reserves.

[REDACTED] EXPENSES

Our [**REDACTED**] expenses mainly include [**REDACTED**] fees of HK$[**REDACTED**] and professional fees paid to legal, accounting and other advisors of HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**], respectively, for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. Assuming full payment of the [**REDACTED**], the estimated total [**REDACTED**] expenses (based on the mid-point of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**], accounting for approximately [**REDACTED**]% of our gross [**REDACTED**]. An estimated amount of HK$[**REDACTED**] for our [**REDACTED**] expenses, accounting for approximately [**REDACTED**]% of our gross [**REDACTED**], has been and is expected to be expensed through the statement of profit or loss and the remaining amount of HK$[**REDACTED**] is expected to be recognised directly as a deduction from equity upon the [**REDACTED**]. HK$[**REDACTED**] of such expenses has been recognised and charged during the Track Record Period.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

A list of recently issued accounting pronouncements that are relevant to us is included in Note 2 to the Accountants' Report in Appendix I.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

Please see the section "Unaudited [**REDACTED**] Financial Information" in Appendix II for our unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share information.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, other than as disclosed in this document, up to the date of this document, there have been no material adverse changes in our financial, operational, or trading position or prospects since 31 March 2026, which is the end date of the periods reported on in the Accountants' Report in Appendix I to this document, and there is no event since 31 March 2026 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save as otherwise disclosed in this document, our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.