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

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. 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, and our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. 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.”

For the purposes of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our fiscal years ended December 31 of such years, respectively.

OVERVIEW

Since 2016, we have been pioneering smart health wearables, a journey that has established us as the leader in smart soothing wearables in China. By bringing professional-grade medical technologies into lightweight consumer electronics, we empower people with professional-quality health management in their everyday lives, redefining the way wellness is experienced.

Driven by customer-centric innovation, our diverse product portfolio spans smart soothing wearables, fitness recovery and toning gears, smart health watches, and wellness-focused home products – all designed to elevate daily health and well-being. Many of our products are advanced in the industry, leveraging well-established wellness technologies such as medium-frequency pulse and transcutaneous electrical nerve stimulation (TENS). According to Frost & Sullivan, we ranked first among domestic players in China’s smart soothing wearables market in terms of GMV, with a domestic market share in China reaching 21.6% in 2025.

Our business model integrates product innovation, brand building, sales, user engagement and manufacturing into a cohesive system that drives sustainable growth and market competitiveness. We believe our business model enables us to respond swiftly to diverse customer needs, facilitate global resource synergy, and continuously improve product competitiveness and customer service capabilities. Ultimately, it consolidates our comprehensive strength and supports our future growth.

During the Track Record Period, substantially all of our revenues were generated from the sale of our products. We achieved sustainable growth and profitability during the Track Record Period. Our revenue remained relatively stable at RMB1,045.8 million in 2023 and RMB1,044.8 million in 2024, and further increased by 16.5% to RMB1,217.5 million in 2025. Revenue for the five months ended May 31, 2026 was RMB645.7 million, representing an increase of 52.0% from RMB424.9 million for the same period in 2025. Our net profit increased from RMB126.5 million in 2023 to RMB135.5 million in 2024, and remained relatively stable at RMB131.8 million in 2025. Our net profit for the five months ended May 31, 2026 was RMB61.6 million,

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up by 30.1% from RMB47.4 million for the same period in 2025. Our return on equity reached 20.1%, 18.4%, 17.1% in 2023, 2024 and 2025, respectively.

BASIS OF PREPARATION AND PRESENTATION

The historical financial information has been prepared in accordance with all applicable IFRSs. The historical financial information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the relevant years/periods.

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

For the purpose of preparing our consolidated financial statements for the Track Record Period, we have adopted all applicable new and revised IFRSs which are effective to the relevant years/periods. The accounting policies set out in Note 2.3 to the Accountants’ Report included in Appendix I to this document have been applied consistently throughout the relevant years/periods. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 2.2 to the Accountants’ Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been, and are expected to continue to be, affected by the following major factors.

General Factors

Our business, results of operations and financial condition have been and are expected to be affected by general factors impacting the global and China’s health technology industry. These factors include, among others, China’s overall macroeconomic conditions, growth in per capita disposable income and consumer spending on health technology products, evolving consumer preferences towards technology-driven health solutions, and the competitive landscape of the industry. Any adverse change in these general conditions may negatively impact our business, results of operations and financial condition.

Specific Factors

While our business is influenced by the general factors set forth above, our results of operations are more directly affected by specific factors relating to our business, primarily including:

Our Ability to Innovate and Successfully Launch New Products

Our performance is highly dependent on our ability to consistently develop, innovate, and successfully launch new products that meet evolving consumer demands. Our product portfolio, which primarily includes smart soothing wearables, fitness recovery and toning gears, smart health watches and wellness-focused home products, is built upon technologies widely applied in medical fields, such as medium-frequency pulse technology and transcutaneous electrical nerve

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stimulation (TENS). Our commitment to innovation is supported by our strong R&D capabilities. As of May 31, 2026, we had 168 employees dedicated to research and development, accounting for 23.3% of our total non-production staff. Furthermore, our innovations are protected by our intellectual property portfolio. As of May 31, 2026, we held a global portfolio of 1,554 registered patents, including 1,517 registered in China, and we also had 384 patent applications in China. Our ability to anticipate market trends and commercialize our R&D pipeline is critical to driving revenue growth and maintaining our market position.

Historically, our performance was driven by the strong contribution from our core product categories. Our revenue from the sale of smart soothing wearables was RMB888.3 million, RMB855.5 million, RMB855.9 million and RMB442.4 million in 2023, 2024, 2025 and for the five months ended May 31, 2026, respectively, representing 85.3%, 82.4%, 70.9% and 69.2% of our revenue from the sale of products for the same years/periods. Specifically, shoulder and neck soothing wearables continued to lead our portfolio, accounting for 48.9%, 50.3%, 41.4% and 37.1% of our revenue from the sale of products, respectively. Our research and development costs were RMB95.5 million, RMB79.2 million, RMB73.3 million and RMB38.4 million in 2023, 2024, 2025 and for the five months ended May 31, 2026, respectively, representing 9.1%, 7.6%, 6.0% and 5.9% of our revenue for the corresponding years/periods. The timing and market acceptance of our new product launches can cause our results of operations to fluctuate. A successful launch of a flagship product can significantly increase our revenue, while any delay or failure to meet market expectations could adversely affect our results of operations.

Our Ability to Enhance Brand Recognition and Execute Effective Marketing Strategies

We believe our “SKG” brand is a key asset, and our performance is significantly impacted by our ability to maintain and enhance its recognition and appeal among consumers. Our marketing strategies involve a combination of word-of-mouth referrals, a blend of online and offline advertising, and collaborations with diversified sales channels to reinforce our premium, technology-driven brand image.

The effectiveness of these marketing efforts directly impacts our customer acquisition and sales volume of our products. We have invested significantly in brand building and marketing, as reflected in our selling and marketing expenses, which increased from RMB216.0 million in 2023 to RMB225.6 million in 2024 and further to RMB288.2 million in 2025, representing 20.6%, 21.6% and 23.7% of our total revenue for the respective years. Our selling and marketing expenses amounted to RMB152.6 million for the five months ended May 31, 2026, representing 23.6% of our total revenue for the same period. Our future success will depend, to a certain extent, on our ability to conduct effective marketing campaigns that translate into sales growth and strengthen our brand equity, while managing these expenses efficiently.

Management and Performance of Our Sales Network

Our revenue is generated through a multi-channel network that is primarily distributor-led and supplemented by direct sales. The performance of this network, particularly our key distributors, has a significant impact on our results of operations. During the Track Record Period, revenue generated from the distribution model accounted for 90.8%, 88.1%, 80.9% and 78.4% of our revenue from the sale of products in 2023, 2024, 2025 and for the five months ended May 31, 2026, respectively. Within this model, online distribution is our largest channel, contributing 55.6%, 56.4%, 45.9% and 43.7% of revenue from the sale of products in the same years/periods. Maintaining stability in our distribution network is paramount to our business operations. As the distribution model continues to contribute the majority of our revenue, any

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disruption in our relationship with distributors or a decline in their sales performance could materially affect our results of operations.

Our Ability to Manage Costs, Optimize Pricing and Maintain Profitability

Our profitability is primarily driven by our ability to effectively manage our cost of sales while maintaining a competitive pricing strategy. Our cost of sales principally consists of the cost of raw materials and components, and the cost of purchased finished goods. Consequently, fluctuations in the prices of key components, raw materials, and procurement costs can directly impact our margins. Our ability to optimize our supply chain, improve production efficiency at our in-house facility, and negotiate favorable terms with our partners is crucial to controlling these costs.

In addition to cost management, our pricing strategy plays a pivotal role in our profitability. We generally adopt a market-oriented pricing strategy that takes into account the market positioning of our brands and products, materials costs, comparable market prices, prevailing market conditions, and our manufacturing and operational expenses. For details of our pricing strategy, see “Business – Our Sales Network and Pricing – Pricing.” Furthermore, our product mix significantly affects our overall margins, as our high-end series typically commands a premium price point and yields higher gross margins compared to other models.

Reflecting the combined effect of our cost management and pricing strategies, our gross margin was 49.1%, 48.9%, 49.5% and 48.2% in 2023, 2024, 2025 and for the five months ended May 31, 2026, respectively. The slight fluctuations in gross margin over the Track Record Period were primarily attributable to changes in our product mix and sales channel strategies. For instance, a strategic shift in the proportion of sales from channels or product categories with different cost structures can impact our overall gross margin.

Apart from gross profit, our overall profitability is also supported by our operational efficiency. During the Track Record Period, we successfully optimized our operating expenses, as evidenced by the effective control of our administrative expenses relative to our revenue growth. Going forward, we expect our profitability to remain sensitive to our ability to manage our sourcing and production costs, optimize our product mix, and execute our pricing strategies effectively.

Seasonality

Our results of operations may be affected by holidays. We typically experience higher sales in the periods leading up to major online shopping festivals in China, such as the “618” Shopping Festival in June and “Double 11” Shopping Festival in November, as well as prior to the Chinese New Year Shopping Festival. This is primarily because our distributors typically increase their purchase orders one to two months in advance to build up their inventory in anticipation of these festivals. Consequently, we generally increase our marketing activities and build up our own inventory accordingly in advance to capture these sales opportunities. The timing of these expenses may not always align with the recognition of the corresponding revenue. As a result, comparisons of our sales and operating results between different periods within a single financial year may not be indicative of our full-year performance and should not be relied upon as such.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our financial statements. Accounting policies that are material for understanding our financial condition and results of operations, including, without limitation, accounting policies in relation to revenue recognition, other income, inventories, share-based payments, and property, plant and equipment and depreciation, are set forth in detail in Note 2.3 to the Accountants’ Report in Appendix I to this document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. See Note 3 to the Accountants’ Report in Appendix I to this document for details. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss for the years/periods indicated.

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Revenue	1,045,822	100.0	1,044,792	100.0	1,217,540	100.0	424,908	100.0	645,683	100.0
Cost of sales	(532,086)	(50.9)	(534,393)	(51.1)	(614,795)	(50.5)	(209,646)	(49.3)	(334,721)	(51.8)
Gross profit	513,736	49.1	510,399	48.9	602,745	49.5	215,262	50.7	310,962	48.2
Other income and gains . . .	49,265	4.7	51,720	5.0	57,786	4.7	23,708	5.6	28,281	4.4
Selling and marketing expenses	(215,957)	(20.6)	(225,614)	(21.6)	(288,237)	(23.7)	(105,330)	(24.8)	(152,583)	(23.6)
Administrative expenses . . .	(112,695)	(10.8)	(101,507)	(9.7)	(142,770)	(11.7)	(48,729)	(11.5)	(68,379)	(10.6)
Research and development costs	(95,505)	(9.1)	(79,178)	(7.6)	(73,278)	(6.0)	(28,825)	(6.8)	(38,364)	(5.9)
Impairment losses on financial assets, net	(723)	(0.1)	(648)	(0.1)	(1,440)	(0.1)	(88)	(0.0)	(1,313)	(0.2)
Other expenses	(1,259)	(0.1)	(3,225)	(0.3)	(5,342)	(0.4)	(1,794)	(0.4)	(10,920)	(1.7)
Finance costs	(913)	(0.1)	(2,293)	(0.2)	(2,840)	(0.2)	(1,310)	(0.3)	(1,939)	(0.3)
Profit before tax	135,949	13.0	149,654	14.4	146,624	12.0	52,894	12.4	65,745	10.2
Income tax expense	(9,422)	(0.9)	(14,195)	(1.4)	(14,831)	(1.2)	(5,505)	(1.3)	(4,102)	(0.6)
Profit for the year/period . .	<u>126,527</u>	<u>12.1</u>	<u>135,459</u>	<u>13.0</u>	<u>131,793</u>	<u>10.8</u>	<u>47,389</u>	<u>11.2</u>	<u>61,643</u>	<u>9.5</u>

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented under IFRS, we also use adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of certain items. These measures provide useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they

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help our management. However, our presentation of the adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit (non-IFRS measure) as profit for the year/period adjusted for (i) equity-settled share-based payment expenses, representing non-cash expenses arising from granting share options and restricted shares to eligible individuals, and (ii) [REDACTED] expenses, representing expenses incurred in connection with the [REDACTED], the previous application for the listing of our Shares on the ChiNext market of the Shenzhen Stock Exchange and the listing of our Shares on the NEEQ.

The following table sets forth a reconciliation of our profit for the year/period to adjusted net profit (non-IFRS measure) for the years/periods indicated.

	For the Year Ended December 31,			For the Five Months Ended May 31,	
	2023	2024	2025	2025	2026
	(RMB in thousands)			(Unaudited)	
Profit for the year/period	126,527	135,459	131,793	47,389	61,643
Add back:					
Equity-settled share-based					
payment expenses	(8,385)	(9,491)	4,547	2,423	5,707
[REDACTED] expenses ⁽¹⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Non-IFRS measures:					
Adjusted net profit					
for the year/period					
(non-IFRS measure)	122,941	125,968	156,742	49,812	70,050
Adjusted net profit margin					
(non-IFRS measure) (%)	11.8	12.1	12.9	11.7	10.8

Note:

⁽¹⁾ The amounts include the [REDACTED] expenses in connection with previous A share listing attempts and the [REDACTED] that are expensed in profit or loss.

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Our total revenue was RMB1,045.8 million, RMB1,044.8 million, RMB1,217.5 million, RMB424.9 million and RMB645.7 million in 2023, 2024 and 2025 and for the five months ended May 31, 2025 and 2026, respectively.

Revenue by Source

During the Track Record Period, our revenue was principally generated from the sale of our products. A small portion of our revenue was also generated from other sources, which primarily consists of revenue from the provision of product refurbishment services and the sale of

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accessories and materials. The following table sets forth a breakdown of our revenue by source for the years/periods indicated.

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Revenue										
Sale of products . .	1,040,354	99.5	1,038,888	99.4	1,206,897	99.1	421,465	99.2	639,619	99.1
Others	5,468	0.5	5,904	0.6	10,643	0.9	3,443	0.8	6,064	0.9
Total	1,045,822	100.0	1,044,792	100.0	1,217,540	100.0	424,908	100.0	645,683	100.0

Revenue by Geographical Location

During the Track Record Period, we primarily derived revenue from sales in Chinese Mainland, and we have also been expanding our sales to overseas markets. Our revenue from other countries and regions was primarily generated through direct sales via overseas e-commerce platforms and offline self-operated stores. The following table sets forth a breakdown of our revenue by geographical location for the years/periods indicated.

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Revenue										
Chinese Mainland . .	966,561	92.4	980,782	93.9	1,071,449	88.0	390,150	91.8	561,913	87.0
Other countries and regions ⁽¹⁾	79,261	7.6	64,010	6.1	146,091	12.0	34,758	8.2	83,770	13.0
Total	1,045,822	100.0	1,044,792	100.0	1,217,540	100.0	424,908	100.0	645,683	100.0

Notes:

- (1) Other countries and regions primarily included our revenue from the United States, Hong Kong and Singapore.

Revenue from the Sale of Products by Product Type

Our products are broadly categorized into four categories: (i) smart soothing wearables, (ii) fitness recovery and toning gears, (iii) smart health watches, and (iv) wellness-focused home products. Smart soothing wearables – our core product line and primary driver of our historical revenue growth – mainly include devices designed for shoulder and neck, waist, eyes, as well as devices for other body parts, primarily knees and legs. Fitness recovery and toning gears primarily comprise fascia guns and abdominal toners, as well as other products related to fitness recovery and toning.

The following table sets forth a breakdown of our revenue from the sale of products by product category for the years/periods indicated.

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	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Revenue from the sale of products										
Smart soothing wearables										
Shoulder and neck soothing wearables . . .	509,167	48.9	522,158	50.3	500,119	41.4	192,435	45.7	237,398	37.1
Waist soothing wearables . . .	252,089	24.2	205,684	19.8	209,843	17.4	75,353	17.9	134,386	21.0
Eye soothing wearables . . .	82,498	7.9	92,274	8.9	93,024	7.7	33,316	7.9	42,706	6.7
Other smart soothing wearables ⁽¹⁾ . .	44,582	4.3	35,408	3.4	52,867	4.4	19,978	4.7	27,922	4.4
Subtotal	888,336	85.3	855,524	82.4	855,853	70.9	321,082	76.2	442,412	69.2
Fitness recovery and toning gears .	97,213	9.4	138,248	13.2	291,935	24.2	86,700	20.5	149,353	23.3
Smart health watches	47,997	4.6	23,608	2.3	7,128	0.6	3,690	0.9	5,560	0.9
Wellness-focused home products ⁽²⁾ .	6,808	0.7	21,508	2.1	51,981	4.3	9,993	2.4	42,294	6.6
Total	1,040,354	100.0	1,038,888	100.0	1,206,897	100.0	421,465	100.0	639,619	100.0

Notes:

- (1) Other smart soothing wearables primarily include knee and leg soothing wearables.
- (2) Wellness-focused home products primarily consist of items such as smart massage sofa chairs and sleep pillows.

Revenue from the Sale of Products by Sales Channel

We sell our products through a multi-channel network that primarily consists of a distribution model and a direct sales model, complemented by other sales channels.

- *Distribution sales.* The distribution model, which contributed the majority of our revenue during the Track Record Period, comprises online distribution and offline distribution.
- *Direct sales.* Revenue from direct sales is primarily generated through our self-operated online stores, and to a lesser extent, through our offline flagship stores and specialty stores.
- *Others.* Our other sales channels primarily consist of ODM sales and consignment sales. Our ODM sales represent sales to customers who market products under their own brands and specifications, where we are primarily responsible for product design

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and manufacturing. Our consignment sales represent a model where we entrust customers to sell our products, and the corresponding revenue is recognized upon acceptance by the end customers.

The following table sets forth a breakdown of our revenue from the sale of products by sales channel for the years/periods indicated.

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Revenue from the sale of products										
Distribution sales										
Online distribution	578,450	55.6	585,926	56.4	553,591	45.9	209,444	49.7	279,156	43.7
Offline distribution	366,577	35.2	329,820	31.7	423,060	35.0	141,984	33.7	222,061	34.7
Subtotal	945,027	90.8	915,746	88.1	976,651	80.9	351,428	83.4	501,217	78.4
Direct sales ⁽¹⁾	84,663	8.1	116,365	11.2	208,877	17.3	64,354	15.3	130,665	20.4
Others ⁽²⁾	10,664	1.1	6,777	0.7	21,369	1.8	5,683	1.3	7,737	1.2
Total	1,040,354	100.0	1,038,888	100.0	1,206,897	100.0	421,465	100.0	639,619	100.0

Notes:

- (1) Revenue from direct sales is primarily generated through our self-operated online stores. We also commenced our direct sales through offline channels in late 2024.
- (2) Others represent revenue generated from ODM sales and consignment sales.

During the Track Record Period, we have strategically optimized and diversified our sales channels to enhance our market reach. While the distribution model remains our primary revenue source, we have also achieved significant growth in our direct sales. During the Track Record Period, our direct sales were mainly conducted through online channels, primarily attributable to our successful expansion on major e-commerce platforms, particularly Douyin, as well as Amazon, to enhance direct consumer engagement. We also commenced our direct sales through offline channels in late 2024. Revenue from direct sales grew from RMB84.7 million in 2023 to RMB116.4 million in 2024 and further increased to RMB208.9 million in 2025, and from RMB64.6 million for the five months ended May 31, 2025 to RMB130.7 million for the five months ended May 31, 2026. As a result, the contribution from our direct sales model to our total revenue from the sale of products increased significantly from 8.1% in 2023 to 11.2% in 2024, and further to 17.3% in 2025, and from 15.3% for the five months ended May 31, 2025 to 20.4% for the five months ended May 31, 2026.

At the same time, consistent with our strategy to maintain a stable and efficient distributor network, distribution sales continued to account for the majority of our revenue from sales of products throughout the Track Record Period, while the change in proportion reflects in part the significant growth of our direct sales. Our revenue from distribution sales was RMB945.0 million, RMB915.7 million, RMB976.7 million, RMB351.4 million and RMB501.2 million, representing 90.8%, 88.1%, 80.9%, 83.4% and 78.4% of our total revenue from the sale of products in 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, respectively.

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Cost of Sales

Cost of Sales by Nature

Our cost of sales primarily consists of (i) the cost of raw materials and components for our in-house produced products, (ii) the cost of purchased finished goods from our third-party OEM manufacturers, (iii) manufacturing costs, including depreciation and amortization, staff costs for manufacturing-related personnel, and consumption of auxiliary materials, (iv) direct labor costs, (v) shipping and handling costs and (vi) others, mainly including impairment losses on asset, and costs related to product refurbishment services and the sale of accessories and materials.

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

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Cost of sales										
Cost of raw materials and components . . .	314,412	59.1	245,133	45.9	244,445	39.8	90,171	43.0	118,412	35.4
Cost of purchased finished goods . .	129,077	24.3	206,508	38.6	290,188	47.2	95,006	45.3	174,789	52.2
Manufacturing costs	40,884	7.7	35,534	6.6	27,132	4.4	4,881	2.3	10,862	3.2
Direct labor costs . .	25,274	4.7	20,201	3.8	18,276	3.0	6,128	2.9	9,082	2.7
Shipping and handling costs . .	13,666	2.6	15,914	3.0	24,265	3.9	7,436	3.6	12,663	3.8
Others	8,773	1.6	11,103	2.1	10,489	1.7	6,024	2.9	8,913	2.7
Total	<u>532,086</u>	<u>100.0</u>	<u>534,393</u>	<u>100.0</u>	<u>614,795</u>	<u>100.0</u>	<u>209,646</u>	<u>100.0</u>	<u>334,721</u>	<u>100.0</u>

Cost of Sales by Product Type

The following table sets forth a breakdown of our cost of sales by product type for the years/periods indicated.

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Cost of sales										
Smart soothing wearables	442,169	83.1	420,378	78.7	400,608	65.2	146,587	69.9	220,493	65.9
Fitness recovery and toning gears . . .	57,272	10.8	78,932	14.8	168,902	27.5	48,237	23.0	83,048	24.8
Smart health watches	20,003	3.8	10,167	1.9	3,910	0.6	1,718	0.8	4,157	1.2
Wellness-focused home products . .	3,869	0.7	13,813	2.6	30,886	5.0	7,080	3.4	18,110	5.4
Others ⁽¹⁾	8,773	1.6	11,103	2.0	10,489	1.7	6,024	2.9	8,913	2.7
Total	<u>532,086</u>	<u>100.0</u>	<u>534,393</u>	<u>100.0</u>	<u>614,795</u>	<u>100.0</u>	<u>209,646</u>	<u>100.0</u>	<u>334,721</u>	<u>100.0</u>

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Notes:

- (1) Others represent cost of sales related to the provision of product refurbishment services and the sale of accessories and materials.

Gross Profit and Gross Margin

In 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, our gross profit was RMB513.7 million, RMB510.4 million, RMB602.7 million, RMB215.3 million and RMB311.0 million, respectively, representing a gross margin of 49.1%, 48.9%, 49.5%, 50.7% and 48.2%, respectively.

Gross Profit from the Sale of Products

The following table sets forth our gross profit from the sale of products and the corresponding gross margin by product type for the years/periods indicated.

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Sale of products . . .										
Smart smoothing										
wearables	446,167	50.2	435,146	50.9	455,245	53.2	174,495	54.3	221,919	50.2
Fitness recovery and										
toning gears.	39,941	41.1	59,316	42.9	123,033	42.1	38,463	44.4	66,305	44.4
Smart health										
watches.	27,994	58.3	13,441	56.9	3,218	45.1	1,972	53.4	1,403	25.2
Wellness-focused										
home products . . .	2,939	43.2	7,695	35.8	21,095	40.6	2,913	29.2	24,184	57.2
Total	517,041	49.7	515,598	49.6	602,591	49.9	217,843	51.7	313,811	49.1

Other Income and Gains

We recorded other income and gains of RMB49.3 million, RMB51.7 million, RMB57.8 million, RMB23.7 million and RMB28.3 million in 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, respectively.

The following table sets forth a breakdown of our other income and gains for the years/periods indicated.

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Other income										
Government grants . .	6,856	13.9	5,462	10.6	2,274	4.0	896	3.8	1,221	4.3
Value added tax										
refund	27,303	55.4	27,400	52.9	30,305	52.4	12,697	53.6	19,085	67.5

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	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>						<i>(Unaudited)</i>			
Bank interest income .	9,356	19.0	12,037	23.3	11,441	19.8	4,366	18.4	4,617	16.3
Investment income										
from financial										
assets at fair value										
through										
profit or loss	2,069	4.2	2,183	4.2	4,130	7.1	1,712	7.2	–	–
Rental income	51	0.1	2,619	5.1	5,964	10.3	2,418	10.2	2,456	8.7
Compensation income	1,217	2.5	15	0.0	1,794	3.1	577	2.4	214	0.8
Others	–	–	613	1.2	859	1.5	392	1.7	424	1.5
Total other income .	46,852	95.1	50,329	97.3	56,767	98.2	23,058	97.3	28,017	99.1
Gains										
Foreign exchange										
gains, net	1,062	2.2	700	1.4	–	–	189	0.8	–	–
Fair value gains on										
financial assets at										
fair value through										
profit or loss	346	0.7	253	0.5	488	0.9	458	1.9	–	–
Gains on early										
termination of										
right-of-use assets .	810	1.6	54	0.1	–	–	–	–	2	0.0
Others	195	0.4	384	0.7	531	0.9	3	0.0	262	0.9
Total gains	2,413	4.9	1,391	2.7	1,019	1.8	650	2.7	264	0.9
Total other income										
 and gains	49,265	100.0	51,720	100.0	57,786	100.0	23,708	100.0	28,281	100.0

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of (i) promotion and advertising expenses, which include expenses for online marketing (including new media channels and e-commerce platforms), celebrity endorsements, and offline marketing activities, (ii) staff costs consisting primarily of salaries, bonuses, social insurance and share-based payment expenses for our sales, marketing, and after-sale service personnel, (iii) depreciation and amortization, relating to right-of-use assets for our retail stores, fixed assets, and other intangible assets used by the sales and marketing departments, (iv) office and travel expenses, and (v) others, which mainly consist of material consumption costs for marketing activities, conference fees, and quality-related compensation expenses, among others.

The following table sets forth a breakdown of our selling and marketing expenses for the years/periods indicated.

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	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Selling and marketing expenses										
Promotion and advertising expenses	154,996	71.7	156,526	69.4	189,808	65.9	73,292	69.6	95,634	62.7
Staff costs	40,630	18.8	47,529	21.1	63,007	21.9	20,351	19.3	35,459	23.2
Depreciation and amortization	10,925	5.1	11,975	5.3	19,098	6.6	5,749	5.5	10,098	6.6
Office and travel expenses	5,109	2.4	6,204	2.7	11,288	3.9	3,274	3.1	6,561	4.3
Others	4,297	2.0	3,380	1.5	5,036	1.7	2,664	2.5	4,831	3.2
Total	215,957	100.0	225,614	100.0	288,237	100.0	105,330	100.0	152,583	100.0

Administrative Expenses

Our administrative expenses consist primarily of (i) staff costs consisting primarily of salaries, bonuses, social insurance, and share-based payment expenses for our administrative and management personnel, (ii) depreciation and amortization related to our office buildings, equipment, and intangible assets, (iii) consulting expenses for services related to corporate strategy, human resources, and tax compliance, (iv) professional service expenses for services such as financial audits and legal counsel, (v) office and travel expenses including business entertainment expenses, travel and general office expenses, as well as fees for cloud platforms and software usage, (vi) patent maintenance and product certification expenses, (vii) taxes and surcharges, and (viii) others, which mainly consist of bank charges and other miscellaneous expenses.

The following table sets forth a breakdown of our administrative expenses for the years/periods indicated.

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Administrative expenses										
Staff costs	66,659	59.1	52,363	51.6	65,706	46.0	27,904	57.3	34,708	50.8
Depreciation and amortization	9,340	8.3	13,648	13.4	14,095	9.9	5,082	10.4	6,402	9.4
Consulting expenses	3,616	3.2	2,628	2.6	7,695	5.4	2,523	5.2	4,704	6.9
H-share [REDACTED]										
expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Professional service expenses	6,996	6.2	1,470	1.4	7,932	5.5	961	2.0	1,308	1.9
Office and travel expenses	7,161	6.4	9,562	9.4	9,800	6.9	3,986	8.2	6,556	9.6

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	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(Unaudited)			
Patent maintenance and product certification expenses	8,398	7.5	5,262	5.2	7,147	5.0	2,808	5.7	3,314	4.8
Taxes and surcharges	8,163	7.2	10,298	10.1	9,419	6.6	3,138	6.4	4,889	7.1
Others	2,362	2.1	6,276	6.2	6,869	4.8	2,327	4.8	3,798	5.6
Total	112,695	100.0	101,507	100.0	142,770	100.0	48,729	100.0	68,379	100.0

Our professional service expenses fluctuated during the Track Record Period. The decrease from RMB7.0 million in 2023 to RMB1.5 million in 2024 was primarily because the audit fees incurred in 2023 related to the Beijing Stock Exchange tutoring were not repeated in 2024. The subsequent increase to RMB7.9 million in 2025 was primarily attributable to the expensing of A-share listing expenses that were previously capitalized in 2024 following the change in our [REDACTED] plan.

Our patent maintenance and product certification expenses varied in line with our intellectual property strategy and product certificate volume. The decrease from RMB8.4 million in 2023 to RMB5.3 million in 2024 was primarily due to a strategic adjustment to our patent portfolio, where we ceased maintaining certain low-value or non-core patents, coupled with the expiration of certain patents and fewer new applications. The increase from RMB5.3 million in 2024 to RMB7.1 million in 2025 was mainly driven by an increase in patent maintenance fees resulting from a higher number of patent applications, including new overseas applications, and (ii) an increase in product certification fees due to a greater volume of experimental samples submitted for testing.

Research and Development Costs

We are committed to innovation and have established a robust R&D framework to develop cutting-edge products. Our research and development costs consist primarily of (i) staff costs, including salaries, bonuses, social insurance and share-based payment expenses for our research and development personnel, (ii) office and travel expenses, (iii) research and material expenses, which comprise costs for prototypes, specialized R&D materials, sample units for testing and expenses incurred for new product design and trial production runs, (iv) depreciation and amortization of fixed assets and intangible assets used in R&D activities, and (v) others, which mainly consist of technical development fees for outsourced R&D services and product testing fees, among others.

The following table sets forth a breakdown of our research and development costs for the years/periods indicated.

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	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>						<i>(Unaudited)</i>			
Research and development costs										
Staff costs	72,641	76.1	60,376	76.3	58,810	80.3	24,682	85.6	32,308	84.2
Research and material expenses	10,675	11.2	9,535	12.0	6,986	9.5	1,963	6.8	2,700	7.0
Office and travel expenses	3,115	3.3	2,307	2.9	1,993	2.7	689	2.4	1,141	3.0
Depreciation and amortization	6,505	6.8	3,773	4.8	2,323	3.2	1,021	3.6	1,071	2.8
Others	2,569	2.6	3,187	4.0	3,166	4.3	470	1.6	1,144	3.0
Total	95,505	100.0	79,178	100.0	73,278	100.0	28,825	100.0	38,364	100.0

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net primarily represents credit impairment losses on our trade and bills receivables and impairment losses on other receivables. We recorded impairment losses on financial assets, net of RMB0.7 million, RMB0.6 million, RMB1.4 million, RMB0.1 million and RMB1.3 million in 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, respectively.

Other Expenses

Our other expenses consist primarily of rental expenses, penalties and overdue charges, losses on disposal of non-current assets, foreign exchange losses, and other miscellaneous expenses. We recorded other expenses of RMB1.3 million, RMB3.2 million, RMB5.3 million, RMB1.8 million and RMB10.9 million in 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, respectively.

Finance Costs

Our finance costs consist primarily of interest expenses on lease liabilities and interest on bank loans, net of interest capitalized. We recorded finance costs of RMB0.9 million, RMB2.3 million, RMB2.8 million, RMB1.3 million and RMB1.9 million, in 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, respectively.

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of us are domiciled and operate. We recorded income tax expense of RMB9.4 million, RMB14.2 million, RMB14.8 million, RMB5.5 million and RMB4.1 million in 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, respectively. For details, see Note 10 to the Accountants’ Report included in Appendix I to this document.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five Months Ended May 31, 2026 Compared to Five Months Ended May 31, 2025

Revenue

Our revenue increased by 52.0% from RMB424.9 million for the five months ended May 31, 2025 to RMB645.7 million for the five months ended May 31, 2026, primarily driven by revenue growth in smart soothing wearables and fitness recovery and toning gears. In specific:

- *Smart Soothing Wearables.* Revenue from the sale of smart soothing wearables increased by 37.8% from RMB321.1 million for the five months ended May 31, 2025 to RMB442.4 million for the five months ended May 31, 2026, primarily due to an increase in sales across our core product lines, particularly shoulder and neck as well as waist soothing wearables. This robust growth was primarily fueled by a broader recovery in consumer demand for smart health products, stimulated by national consumer subsidy policies enacted in 2026, alongside the rapid expansion and optimization of our distribution network.
- *Fitness Recovery and Toning Gears.* Revenue from the sale of fitness recovery and toning gears increased by 72.3% from RMB86.7 million for the five months ended May 31, 2025 to RMB149.4 million for the five months ended May 31, 2026, which was mainly because of a significant increase in sales of our abdominal toners, particularly the newly launched Q7 series, which successfully captured consumer demand. The growth was further supported by the robust growth in sales of our waist and back recovery devices.
- *Smart Health Watches.* Revenue from the sale of smart health watches increased by 50.7% from RMB3.7 million for the five months ended May 31, 2025 to RMB5.6 million for the five months ended May 31, 2026, primarily attributable to an increase in sales volume of our newly launched health-alert smartwatch models.
- *Wellness-Focused Home Products.* Revenue from the sale of wellness-focused home products increased by 323.2% from RMB10.0 million for the five months ended May 31, 2025 to RMB42.3 million for the five months ended May 31, 2026, primarily due to a substantial increase in revenue from massage chairs. This was mainly because the financial results of the OTO entities, which we acquired in June 2025, were not consolidated in the first five months of 2025 but were fully consolidated in the corresponding period of 2026.

Cost of Sales

Our cost of sales increased by 59.7% from RMB209.6 million for the five months ended May 31, 2025 to RMB334.7 million for the five months ended May 31, 2026, which was generally in line with the growth in our sales volume.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 44.5% from RMB215.3 million for the five months ended May 31, 2025 to RMB311.0 million for the five months ended May 31, 2026, primarily due to the overall growth in our sales volume and revenue. Our overall gross margin decreased from 50.7% for the five months ended May 31, 2025 to 48.2% for the five

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months ended May 31, 2026, driven by the scaling up of our physical massage products, which generally carry relatively lower margins. Furthermore, this increase reflected gross margin fluctuations across our product lines as follows:

- *Smart Soothing Wearables.* Gross margin for this category decreased from 54.3% for the five months ended May 31, 2025 to 50.2% for the five months ended May 31, 2026, primarily due to an increased sales proportion of physical massage products within our shoulder and neck soothing wearables, which have lower gross margins than pulse products. The decrease was also attributable to increased price competition in the distribution channels.
- *Fitness Recovery and Toning Gears.* Gross margin for this category remained stable at 44.4% for the five months ended May 31, 2025 and with the high margins of higher-priced newly introduced products, such as our Ultra model abdominal toners sold through direct sales channels, offset by lower-margin waist and back recovery devices.
- *Smart Health Watches.* Gross margin for this category decreased from 53.4% for the five months ended May 31, 2025 to 25.2% for the five months ended May 31, 2026, primarily due to the relatively higher unit cost of new products resulting from their low sales volume in the early stage of the market-expansion phase, which had not yet achieved economies of scale, coupled with higher costs of certain core components, such as chips, due to price increases in the component market.
- *Wellness-Focused Home Products.* Gross margin for this category increased from 29.2% for the five months ended May 31, 2025 to 57.2% for the five months ended May 31, 2026, primarily due to the financial consolidation of OTO following our acquisition in June 2025, which significantly increased the sales proportion of high-value-added and premium massage chairs that carry higher gross margins.

Other Income and Gains

Our other income and gains increased by 19.3% from RMB23.7 million for the five months ended May 31, 2025 to RMB28.3 million for the five months ended May 31, 2026, primarily attributable to an increase in value added tax refund.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 44.9% from RMB105.3 million for the five months ended May 31, 2025 to RMB152.6 million for the five months ended May 31, 2026, primarily due to (i) an increase in promotion and advertising expenses, reflecting our continuous investment in online marketing channels, including e-commerce platforms, new media channels and influencer collaborations, to enhance brand awareness and drive sales, and (ii) increases in staff costs, depreciation and amortization, and office and travel expenses, which were primarily attributable to the expansion of our overseas business operations.

Administrative Expenses

Our administrative expenses increased by 40.3% from RMB48.7 million for the five months ended May 31, 2025 to RMB68.4 million for the five months ended May 31, 2026, primarily due to an increase in staff costs, primarily for the expansion of our administrative team.

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Research and Development Costs

Our research and development costs increased by 33.1% from RMB28.8 million for the five months ended May 31, 2025 to RMB38.4 million for the five months ended May 31, 2026, primarily due to an increase in staff costs in relation to the expansion of our R&D team, which was mainly for the development of our smart health watches.

Impairment Losses on Financial Assets, Net

We recorded impairment losses on financial assets, net of RMB0.1 million for the five months ended May 31, 2025, and RMB1.3 million for the five months ended May 31, 2026, primarily due to an increase in the impairment losses on trade and bills receivables, which is in line with the growth in our trade and bills receivables.

Other Expenses

Our other expenses significantly increased from RMB1.8 million for the five months ended May 31, 2025 to RMB10.9 million for the five months ended May 31, 2026, primarily due to (i) an increase in foreign exchange losses resulting from currency fluctuations, and (ii) an increase in purchases of wealth management products.

Finance Costs

Our finance costs increased by 48.0% from RMB1.3 million for the five months ended May 31, 2025 to RMB1.9 million for the five months ended May 31, 2026, primarily due to an increase in interest on bank loans and an increase in interest on lease liabilities.

Income Tax Expenses

Our income tax expenses decreased by 25.5% from RMB5.5 million for the five months ended May 31, 2025 to RMB4.1 million for the five months ended May 31, 2026.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 30.1% from RMB47.4 million for the five months ended May 31, 2025 to RMB61.6 million for the five months ended May 31, 2026.

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

Revenue

Our revenue increased by 16.5% from RMB1,044.8 million in 2024 to RMB1,217.5 million in 2025, primarily driven by revenue growth in fitness recovery and toning gears and wellness-focused home products, partially offset by a decrease in revenue from smart health watches. In specific:

- *Smart Soothing Wearables.* Revenue from the sale of smart soothing wearables remained relatively stable, with a slight increase from RMB855.5 million in 2024 to RMB855.9 million in 2025, primarily due to (i) an increase in revenue from the sale of our other smart soothing wearables, primarily due to an increase in sales of Series W knee soothing wearables such as W3 and W5, which specifically cater to the joint

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care needs of elderly users and sports enthusiasts, and (ii) an increase in revenue from the sale of our waist smart soothing wearables, primarily due to the increased revenue contribution from our high-end models with higher selling prices, such as Series G7, which successfully captured the demand for premium massage experiences among high-end business professionals. These increases were partially offset by a decrease in revenue from shoulder and neck soothing wearables as we strategically phased out older models to optimize our product portfolio.

- *Fitness Recovery and Toning Gears.* Revenue from the sale of fitness recovery and toning gears increased by 111.2% from RMB138.2 million in 2024 to RMB291.9 million in 2025, which was mainly because (i) our newly launched abdominal toning devices which are designed for passive muscle stimulation, successfully addressed the needs of sedentary users and generated incremental revenue in 2025, and (ii) we achieved robust growth in sales of our existing fitness gears driven by the introduction of upgraded waist and back recovery devices.
- *Smart Health Watches.* Revenue from the sale of smart health watches decreased by 69.9% from RMB23.6 million in 2024 to RMB7.1 million in 2025. This decrease was primarily due to a significant reduction in our front-end marketing and promotional spending for existing sports watches, coupled with lower average selling prices resulting from clearance sales of older consumer-grade models such as Series V7. These actions were the direct result of a shift in our strategic focus and resources toward the R&D of next-generation products featuring advanced health alert capabilities in preparation for product upgrades. In 2024 and 2025, we gradually phased out our R&D pipeline for sport smart watches as our products reached a mature stage and we shifted our emphasis to smart health watches where we can better leverage our health technology reserve. Specifically, we concentrated our resources on developing the medical-grade oscillometric blood pressure detection technology for our new flagship Series S7, which led to a planned reduction in the marketing and sales of older consumer-grade models, such as Series V7, during this product iteration cycle. Although we launched this new flagship model during this period, it is designed for professional health data monitoring and specifically targets the middle-aged and elderly population with focused health tracking needs. Consequently, as this new health-alert series is still in a gradual sales ramp-up phase, its initial revenue contributions have not yet fully bridged the gap left by the strategic phase-out of our older models.
- *Wellness-Focused Home Products.* Revenue from the sale of wellness-focused home products increased by 141.9% from RMB21.5 million in 2024 to RMB52.0 million in 2025, primarily due to the enrichment of our product portfolio following the acquisition in 2025, which introduced established wellness-focused home products, particularly mature massage chair product lines, to our offerings and significantly boosted sales in this category. For details, see Note 31 to the Accountants’ Report included in Appendix I to this document.

Cost of Sales

Our cost of sales increased by 15.0% from RMB534.4 million in 2024 to RMB614.8 million in 2025, which was generally in line with the growth in our sales volume.

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Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 18.1% from RMB510.4 million in 2024 to RMB602.7 million in 2025. Our overall gross margin increased from 48.9% in 2024 to 49.5% in 2025. This overall improvement was primarily driven by the continued expansion of our online direct sales channels, particularly Douyin and Amazon, which generally yield higher gross margins. Furthermore, this increase reflected gross margin fluctuations across our product lines as follows:

- *Smart Soothing Wearables.* Gross margin for this category increased from 50.9% in 2024 to 53.2% in 2025, primarily because we proactively phased out lower-margin older models of shoulder and neck massagers and increased the sales proportion of high-margin flagship products.
- *Fitness Recovery and Toning Gears.* Gross margin for this category slightly decreased from 42.9% in 2024 to 42.1% in 2025, mainly due to promotional subsidies provided for our newly launched abdominal toning devices to rapidly capture market share during their initial rollout.
- *Smart Health Watches.* Gross margin for this category decreased from 56.9% in 2024 to 45.1% in 2025, primarily due to lower-priced clearance sales and promotional initiatives for our older sports and fashion smartwatch models as we strategically transitioned our focus towards the new health-alert series.
- *Wellness-Focused Home Products.* Gross margin for this category increased significantly from 35.8% in 2024 to 40.6% in 2025, largely attributable to the introduction of higher-margin massage chair products following the OTO acquisition.

Other Income and Gains

Our other income and gains increased by 11.8% from RMB51.7 million in 2024 to RMB57.8 million in 2025, primarily attributable to (i) an increase in value added tax refund, (ii) an increase in gross rental income from investment property operating leases and (iii) an increase in investment income from financial assets at FVTPL.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 27.7% from RMB225.6 million in 2024 to RMB288.2 million in 2025, primarily due to (i) an increase in promotion and advertising expenses, reflecting our continuous investment in online marketing channels, including e-commerce platforms and new media channels, to enhance brand awareness and drive sales, and (ii) increases in staff costs, depreciation and amortization, and office and travel expenses, which were primarily attributable to the expansion of our overseas business operations.

Administrative Expenses

Our administrative expenses increased by 40.7% from RMB101.5 million in 2024 to RMB142.8 million in 2025, primarily due to (i) an increase in professional service expenses, mainly attributable to the expensing of A-share listing expenses that were previously capitalized, alongside the newly incurred professional fees for the [REDACTED], (ii) an increase in staff costs, primarily driven by a shift in share-based payment expenses from a reversal in 2024 to an expense recognition in 2025, and (iii) an increase in consulting expenses, resulting from

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comprehensive advisory services engaged for our corporate strategic development, human resources management, and organizational optimization.

Research and Development Costs

Our research and development costs decreased by 7.4% from RMB79.2 million in 2024 to RMB73.3 million in 2025, primarily due to (i) a decrease in research and material expenses, mainly driven by the maturation of our product development system and the enhancement of our design and innovation capabilities, which reduced our expenditure on certain outsourced design services, (ii) a decrease in staff costs driven by the strategic optimization of our personnel structure and compensation packages, and (iii) a decrease in depreciation and amortization, primarily attributable to our refined cost control measures that leads to a decrease in rental costs following the renewal of office leases, which resulted in lower amortization of right-of-use assets.

Impairment Losses on Financial Assets, Net

We recorded impairment losses on financial assets, net of RMB1.4 million in 2025, compared to RMB0.6 million in 2024, primarily due to an increase in the impairment losses on trade and bills receivables, which is in line with the growth in our trade and bills receivables.

Other Expenses

Our other expenses increased from RMB3.2 million in 2024 to RMB5.3 million in 2025, primarily due to (i) an increase in foreign exchange losses resulting from currency fluctuations, and (ii) an increase in direct operating expenses arising from rental-earning investment properties.

Finance Costs

Our finance costs increased by 21.7% from RMB2.3 million in 2024 to RMB2.8 million in 2025, primarily due to (i) an increase in interest on lease liabilities following the addition of new leased retail stores from the OTO acquisition, and (ii) an increase in interest on bank loans, driven by our strategic utilization of bank borrowings to support overall business development.

Income Tax Expenses

Our income tax expenses increased by 4.2% from RMB14.2 million in 2024 to RMB14.8 million in 2025.

Profit for the Year

As a result of the foregoing, our profit for the year remained relatively stable at RMB135.5 million in 2024 and RMB131.8 million in 2025.

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

Revenue

Our revenue remained relatively stable at RMB1,045.8 million in 2023 to RMB1,044.8 million in 2024, reflecting the combined effect of revenue growth in fitness recovery and toning

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gears and wellness-focused home products, offset by revenue declines in smart soothing wearables and smart health watches. In specific:

- *Smart Soothing Wearables.* Revenue from the sale of smart soothing wearables decreased by 3.7% from RMB888.3 million in 2023 to RMB855.5 million in 2024, primarily due to a decrease in sales of our waist soothing wearables. This reflected our strategic decision to reallocate resources toward the R&D and sales of waist fitness recovery devices in order to capitalize on the rapid expansion of that market sector, which resulted in a planned reduction in traffic acquisition and marketing budgets for our older electrical pulse waist soothing devices. The decrease was partially offset by an increase in sales of shoulder and neck soothing wearables, which was primarily driven by our successful launch of our H5 Gen II shoulder and neck soothing wearable that better addressed consumer demand for broader massage coverage.
- *Fitness Recovery and Toning Gears.* Revenue from the sale of fitness recovery and toning gears increased significantly by 42.2% from RMB97.2 million in 2023 to RMB138.2 million in 2024, mainly driven by the successful launch and market acceptance of our new waist fitness recovery devices.
- *Smart Health Watches.* Revenue from the sale of smart health watches decreased by 50.8% from RMB48.0 million in 2023 to RMB23.6 million in 2024. This decrease was primarily due to a significant reduction in our front-end marketing and promotional spending for existing sports watches, coupled with lower average selling prices resulting from clearance sales of older consumer-grade models such as Series V7. These actions were the direct result of a shift in our strategic focus and resources towards the R&D of next-generation products featuring advanced health alert capabilities in preparation for product upgrades.
- *Wellness-Focused Home Products.* Revenue from the sale of wellness-focused home products increased significantly by 216.2% from RMB6.8 million in 2023 to RMB21.5 million in 2024, primarily due to an increase in sales of sleep pillows as we expanded our offerings of wellness accessories.

Cost of Sales

Our cost of sales remained relatively stable at RMB532.1 million in 2023 and RMB534.4 million in 2024.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit remained relatively stable at RMB513.7 million in 2023 to RMB510.4 million in 2024. Our overall gross margin remained relatively stable at 49.1% in 2023 and 48.9% in 2024. This stability reflected gross margin fluctuations across our product lines as follows:

- *Smart Soothing Wearables.* Gross margin for this category remained relatively stable, with a slight increase from 50.2% in 2023 to 50.9% in 2024. A slight decrease in the margin of shoulder and neck soothing wearables, which was driven by a higher sales proportion of mechanical models with higher hardware costs to align with evolving consumer preferences, was offset by an increase in the gross margin of waist soothing wearables, primarily driven by an increase in its average selling price.

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- *Fitness Recovery and Toning Gears.* Gross margin for this category increased from 41.1% in 2023 to 42.9% in 2024, primarily driven by the introduction of higher-margin non-wearable massage devices, which offset the impact of promotional discounts offered on certain existing products such as fascia guns to maintain market competitiveness.
- *Smart Health Watches.* Gross margin for this category decreased slightly from 58.3% in 2023 to 56.9% in 2024. This slight decline was primarily attributable to initial pricing adjustments and promotional activities for our older smartwatch models, marking the beginning of our strategic transition toward the new health-alert series.
- *Wellness-Focused Home Products.* Gross margin for this category decreased from 43.2% in 2023 to 35.8% in 2024, primarily reflecting our strategic pricing adjustments to rapidly expand our market presence and capture consumer demand through centralized procurement channels and promotional sales for our newly introduced wellness accessories.

Other Income and Gains

Our other income and gains increased by 4.9% from RMB49.3 million in 2023 to RMB51.7 million in 2024, primarily due to (i) an increase in rental income from investment property operating leases and (ii) an increase in bank interest income.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 4.4% from RMB216.0 million in 2023 to RMB225.6 million in 2024, primarily due to (i) an increase in staff costs driven by and an increase in the number of sales and marketing personnel, (ii) an increase in depreciation and amortization mainly attributable to the expansion of our offline sales channels, and (iii) an increase in office and travel expenses.

Administrative Expenses

Our administrative expenses decreased by 9.9% from RMB112.7 million in 2023 to RMB101.5 million in 2024, primarily due to a decrease in staff costs, which was mainly attributable to an increase in the reversal of share-based payment expenses. This reversal was primarily triggered by the resignation of a former executive director in 2024, which resulted in the forfeiture of his unvested share awards and the subsequent reversal of previously recognized expenses.

Research and Development Costs

Our research and development costs decreased by 17.1% from RMB95.5 million in 2023 to RMB79.2 million in 2024, primarily due to (i) a decrease in staff costs as a result of personnel structure adjustments, reflecting the optimization of our personnel structure by reducing the average headcount and improved efficiency of our R&D personnel, (ii) a decrease in depreciation and amortization, mainly attributable to decreased rental rates of R&D facilities, and (iii) a decrease in research and material expenses. These decreases were partially offset by an increase in designing expenses driven by increased investment in the design of new products to strengthen our brand recognition.

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Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net, remained relatively stable at RMB0.7 million in 2023 and RMB0.6 million in 2024.

Other Expenses

Our other expenses increased from RMB1.3 million in 2023 to RMB3.2 million in 2024, primarily due to an increase in rental expenses.

Finance Costs

Our finance costs increased from RMB0.9 million in 2023 to RMB2.3 million in 2024, primarily due to an increase in interest expenses on bank loans.

Income Tax Expenses

Our income tax expense increased by 51.1% from RMB9.4 million in 2023 to RMB14.2 million in 2024, primarily due to (i) an increase in our profit before tax, and (ii) a decrease in the tax benefit arising from additional deductible research and development expenses.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 7.1% from RMB126.5 million in 2023 to RMB135.5 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS ON CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated balance sheets as of the dates indicated.

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment . .	298,886	301,194	309,855	327,747
Investment properties	638	577	515	489
Right-of-use assets	84,883	83,211	95,575	105,210
Intangible assets	25,396	27,204	35,424	33,108
Deferred tax assets	3,329	3,745	5,314	11,943
Prepayments, other receivables and other assets	12,946	4,591	6,827	6,341
Time deposits	–	142,452	146,092	–
Certificates of deposit	128,144	49,283	29,365	–
Restricted bank deposits	–	50,839	–	–
Total non-current assets	554,222	663,096	628,967	484,838
Current assets				
Inventories	70,104	60,941	87,484	97,709
Trade and bills receivables	45,001	43,390	86,997	106,529
Prepayments, other receivables and other assets	60,789	72,077	72,693	83,088

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	As of December 31,			As of May 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Financial assets at fair value				
through profit or loss	100,346	200,599	243,096	516,925
Time deposits	—	—	101,737	212,162
Certificates of deposit	—	132,391	21,358	51,319
Restricted bank deposits	76,661	40,803	123,937	35,661
Cash and cash equivalents	313,433	88,521	94,847	98,209
Total current assets	666,334	638,722	832,149	1,201,602
Current liabilities				
Trade and bills payables	278,595	253,203	360,407	479,552
Contract liabilities	8,980	22,817	18,756	13,511
Other payables and accruals	174,026	135,144	138,405	125,830
Interest-bearing bank				
borrowings	12,663	70,042	180,061	220,061
Lease liabilities	4,822	4,161	13,441	12,917
Tax payable	5,753	9,235	2,698	6,641
Provision	2,025	4,647	2,918	3,718
Total current liabilities	486,864	499,249	716,686	862,230
Net current assets	179,470	139,473	115,463	339,372
Total assets less current				
 liabilities	733,692	802,569	744,430	824,210
Non-current liabilities				
Interest-bearing bank				
borrowings	57,400	—	—	—
Lease liabilities	985	1,229	5,397	17,076
Deferred income	727	640	1,187	1,145
Total non-current liabilities	59,112	1,869	6,584	18,221
Net assets	674,580	800,700	737,846	805,989

Assets

Property, Plant and Equipment

Our property, plant and equipment primarily consist of buildings, machine equipment and tooling, transportation equipment, other equipment, renovation assets and construction in progress. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated.

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	As of December 31,			As of May 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Property, plant and equipment				
Buildings	1,501	243,726	237,604	235,699
Machine equipment and tooling	30,898	30,144	36,025	33,185
Transportation equipment	227	145	157	147
Other equipment	6,648	9,712	7,607	8,619
Renovation assets	13,476	14,254	14,143	12,381
Construction in progress	246,136	3,213	14,319	37,716
Total	298,886	301,194	309,855	327,747

Our property, plant and equipment remained relatively stable at RMB298.9 million as of December 31, 2023 and RMB301.2 million as of December 31, 2024, with construction in progress decreasing and buildings increasing primarily due to the transfer of the completed Phase I of SKG Future Health Digital Manufacturing Base from construction in progress to buildings. Our property, plant and equipment slightly increased to RMB309.9 million as of December 31, 2025, primarily attributable to (i) an increase in construction in progress, driven by the commencement of the Phase II of SKG Future Health Digital Manufacturing Base, and (ii) an increase in machine equipment and tooling, reflecting the acquisition of new molds to support our expanded product portfolio in 2025, alongside the purchase of specialized machinery to enhance product quality and production efficiency. The amount further increased to RMB327.7 million as of May 31, 2026, primarily attributable to an increase in construction in progress, driven by an increase in construction in progress, driven by the continuous construction of the Phase II of SKG Future Health Digital Manufacturing Base.

Right-of-use Assets

Our right-of-use assets mainly represent our properties and leasehold land. The following table sets forth the breakdown of our right-of-use assets as of the dates indicated.

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Right-of-use assets				
Properties	5,183	5,165	19,183	29,506
Leasehold land	79,700	78,046	76,392	75,704
Total	84,883	83,211	95,575	105,210

Our right-of-use assets were RMB84.9 million as of December 31, 2023 and remained relatively stable at RMB83.2 million as of December 31, 2024. Our right-of-use assets further increased to RMB95.6 million as of December 31, 2025 and RMB105.2 million as of May 31, 2026, primarily attributable to an increase in overseas operating premises driven by the expansion of our overseas business.

Intangible Assets

Our intangible assets consist primarily of software, trademarks and customer relationships. Our intangible assets remained relatively stable at RMB25.4 million as of December 31, 2023 and RMB27.2 million as of December 31, 2024. Our intangible assets increased to RMB35.4

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million as of December 31, 2025, primarily attributable to the recognition of intangible assets arising from our acquisition in 2025. Our intangible assets remained relatively stable at RMB33.1 million as of May 31, 2026.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets are categorized into non-current and current portions. The non-current portion primarily comprises prepayments for the acquisition of property, plant and equipment and non-current deposits. The current portion primarily consists of value-added tax (VAT) recoverable, prepayments for raw materials and third-party services, prepaid income tax, current deposits and right-of-return assets and other receivables. The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Prepayments, other receivables and other assets				
Non-current				
Prepayments for property, plant and equipment	11,208	3,496	2,966	3,871
Deposits	1,738	1,095	3,861	2,470
Total	12,946	4,591	6,827	6,341
Current				
Prepayments	7,554	11,030	16,897	21,662
VAT recoverable	48,155	49,582	45,637	48,858
Prepaid income tax	1,316	5,023	114	194
Deposits	1,693	3,064	6,225	7,840
Right-of-return assets	763	2,112	949	1,337
Due from the controlling shareholders	—	—	300	—
Deferred [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables	2,059	1,677	978	1,514
Subtotal	61,540	72,488	73,047	83,576
Less: Impairment of other receivables	(751)	(411)	(354)	(488)
Total	60,789	72,077	72,693	83,088

Our non-current prepayments, other receivables and other assets decreased from RMB12.9 million as of December 31, 2023 to RMB4.6 million as of December 31, 2024, mainly because the prepayments related to Phase I of SKG Future Health Digital Manufacturing Base were capitalized into property, plant and equipment upon the completion. The amount further increased to RMB6.8 million as of December 31, 2025, primarily due to an increase in long-term rental deposits associated with new retail stores following our acquisition in 2025, which was partially offset by a slight decrease in prepayments for property, plant and equipment. Our non-current prepayments, other receivables and other assets was RMB6.3 million as of May 31, 2026, remaining at a relatively stable level. The amount then slightly decreased to RMB6.3 million as of May 31, 2026, primarily attributable to an increase in prepayments for prepayments

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for property, plant and equipment in relation to the construction of Phase II of SKG Future Health Digital Manufacturing Base, partially offset by a decrease in deposits primarily due to the reclassification of certain deposits from non-current portion into current portion.

Our current prepayments, other receivables and other assets increased from RMB60.8 million as of December 31, 2023 to RMB72.1 million as of December 31, 2024, primarily due to (i) an increase in prepayments for marketing and promotion services to enhance brand awareness, and (ii) an increase in prepaid income tax. The amount continued to increase to RMB72.7 million as of December 31, 2025, primarily attributable to (i) an increase in prepayments, largely driven by upfront payments for the procurement of raw materials and finished products, (ii) an increase in short-term rental deposits resulting from the acquisition in 2025, and (iii) the recognition of deferred [REDACTED] expenses in connection with the [REDACTED]. The amount then increased to RMB83.1 million as of May 31, 2026, primarily due to higher advance payments made to suppliers.

As of June 25, 2026, approximately RMB8.7 million, or 9.8% of our prepayments, other receivables and other assets outstanding as of May 31, 2026, had been subsequently settled or utilized.

Inventories

Our inventories mainly represent (i) finished goods, which mainly represent our products ready for sale, (ii) raw materials, which mainly represent electronic components, silicone parts, plastic parts and other materials and components, (iii) goods in transit, which mainly represent products shipped to but not yet received by our customers, and (iv) work in progress, which mainly represent components undergoing the assembly process. The following table sets forth the composition of our inventories as of the dates indicated.

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Inventories				
Finished goods	49,794	41,302	68,176	72,027
Raw materials	16,710	7,924	17,288	21,085
Goods in transit	2,188	10,574	1,202	4,054
Work in progress	1,412	1,141	818	543
Total	70,104	60,941	87,484	97,709

Our inventories decreased from RMB70.1 million as of December 31, 2023 to RMB60.9 million as of December 31, 2024, primarily driven by a decrease in raw materials and finished goods, which reflected our enhanced supply chain management through “produce-to-order” and “procure-to-order” strategies. Our inventories increased to RMB87.5 million as of December 31, 2025, primarily due to an increase in finished goods and raw materials, reflecting the consolidation of inventories following the acquisition in 2025, as well as our strategic stocking in line with our expanded overseas direct sale business. Our inventories further increased to RMB97.7 million as of May 31, 2026, primarily due to an increase in finished goods and raw materials, driven by (i) our strategic expansion into overseas markets, which resulted in an increase in overseas inventories, and (ii) the “618” Shopping Festival in 2026 in China.

The following table sets forth our inventories turnover days for the years/periods indicated.

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	For the Year Ended December 31,			For the Five Months Ended May 31,
	2023	2024	2025	2026
Inventories turnover days ⁽¹⁾	54	45	44	42

Note:

- (1) The inventory turnover days are derived by dividing the average of the beginning and ending inventories by cost of sales for the relevant period and multiplied by the number of days in the respective period (i.e., 365 days for the full years and 151 days for the five-month period ended May 31, 2026).

Our inventory turnover days decreased from 54 days in 2023 to 45 days in 2024 and 44 days in 2025, and remained relatively stable at 42 days for the five months ended May 31, 2026. This improvement was primarily attributable to the accelerated consumption of inventory driven by our sales growth, coupled with our optimization of the alignment between production and sales processes and our continuous enhancement of supply chain management efficiency.

The following table sets forth an aging analysis of our inventories as of the date indicated.

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within one year	69,465	60,618	86,983	98,912
One to two years	2,164	1,590	2,671	2,123
Over two years	194	156	505	1,122
Subtotal	71,823	62,364	90,159	102,157
Less: inventory provision	(1,719)	(1,423)	(2,675)	(4,448)
Total	70,104	60,941	87,484	97,709

As of June 25, 2026, approximately RMB21.7 million, or 21.3% of our inventories outstanding as of May 31, 2026, had been subsequently sold or utilized.

Trade and Bills Receivables

Our trade and bills receivables primarily represent (i) trade receivables from our distributors of business, and (ii) bills receivables, which are bank acceptance bills received from certain customers. The following table sets forth a breakdown of our trade and bills receivables by nature as of the dates indicated.

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	As of December 31,			As of May 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade and bills receivables				
Trade receivables	42,107	44,411	90,297	111,362
Bills receivables	5,000	1,200	400	—
Subtotal	47,107	45,611	90,697	111,362
Less: impairment of trade receivables	(2,106)	(2,221)	(3,700)	(4,833)
Net carrying amount	45,001	43,390	86,997	106,529

Our net trade and bills receivables remained relatively stable at RMB45.0 million as of December 31, 2023 and RMB43.4 million as of December 31, 2024. This amount increased to RMB87.0 million as of December 31, 2025, primarily attributable to our enhanced credit and strategic support for distribution channels on the online e-commerce platform, as well as the robust growth of our overseas distribution business. The amount further increased to RMB106.5 million, which was primarily attributable to the seasonal ramp-up for the “618” Shopping Festival in June 2026. As of June 25, 2026, approximately RMB39.1 million, or 35.1% of our trade and bills receivables outstanding as of May 31, 2026, had been subsequently settled.

As of December 31, 2023, 2024, 2025 and May 31, 2026, we recorded a loss allowance for trade receivables of RMB2.1 million, RMB2.2 million, RMB3.7 million and RMB4.8 million, respectively. For details on impairment provisions for trade receivables, see Note 20 to the Accountant’s Report set out in Appendix I to this document.

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

	For the Year Ended December 31,			For the Five Months Ended May 31,
	2023	2024	2025	2026
Trade and bills receivables turnover days ⁽¹⁾	15	15	20	24

Note:

- (1) The trade and bills receivables turnover days are derived by dividing the average of the beginning and ending trade and bills receivables, net of loss allowance by revenue for the relevant period and multiplied by the number of days in the respective period (i.e., 365 days for the full years and 151 days for the five-month period ended May 31, 2026).

Our trade and bills receivables turnover days remained stable at 15 days in 2023 and 2024. Our trade and bills receivables turnover days increased to 20 days in 2025 and 24 days for the five months ended May 31, 2026, which is primarily due to the higher period-end trade and bills receivables balance.

Our trade terms with certain customers are on credit, and the credit period is generally within 60 days. We have a concentration of credit risk regarding our trade receivables. As of December 31, 2023, 2024, 2025 and May 31, 2026, 64%, 55%, 55% and 51% of our trade receivables were attributable to our five largest customers, respectively.

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As of December 31, 2023, 2024, 2025 and May 31, 2026, all of our trade and bills receivables were aged within one year.

Financial Assets at FVTPL and Certificates of Deposit

During the Track Record Period, we utilized financial assets at fair value through profit or loss (FVTPL) and certificates of deposit (CDs) as part of our cash management strategy to enhance returns on idle funds while preserving capital. Our total financial assets at FVTPL increased from RMB100.3 million as of December 31, 2023 to RMB200.6 million as of December 31, 2024, and further increased to RMB243.1 million as of December 31, 2025 and RMB516.9 million as of May 31, 2026. We held certificates of deposit amounting to RMB128.1 million, RMB181.7 million, RMB50.7 million and RMB51.3 million as of December 31, 2023, 2024, 2025 and May 31, 2026, respectively. For details, see Note 21, Note 22 and Note 38 of the Accountant’s Report in Appendix I to the document.

In terms of nature and key terms, our financial assets at FVTPL mainly consisted of structured deposits and wealth management products categorized as low-to-medium risk, while our certificates of deposit were fixed-income deposit products. These assets were primarily issued by reputable commercial banks in Chinese Mainland. The structured deposits typically had a term ranging from one to three years, with returns often linked to financial indicators such as exchange rates or interest rates.

We manage credit risk by strictly limiting our counterparties to large state-owned banks or listed commercial banks which typically hold investment-grade credit ratings from major rating agencies. During the Track Record Period and up to the Latest Practicable Date, the Group has not experienced any default on the principal or interest of our financial assets at FVTPL or certificates of deposit. Based on our maturity analysis as of May 31, 2026, all of these assets were classified as current assets (maturing within one year), comprising RMB516.9 million of financial assets at FVTPL and RMB51.3 million of certificates of deposit.

We have established a comprehensive Capital Management Policy to govern our investment activities, with a primary focus on capital preservation and the efficient use of idle funds. Our investment decisions are guided by an “annual capital management plan,” formulated by our Board of Directors, which sets the overall investment limit and strategy for the year. Within this approved framework, our finance department assesses specific opportunities by strictly prioritizing liquidity and capital safety. We implement a strategy of matching cash holding periods with product maturities, ensuring that funds are available when needed for operations. We strictly limit our investments to products rated PR2 (Low-Medium Risk) or below issued by reputable financial institutions and avoid high-risk or speculative financial instruments. To ensure stringent oversight, we strictly enforce the separation of duties between investment decision-making, execution, and accounting. For fund transfers, our internal control system requires a dual-approval process in our online banking system; notably, any single transaction exceeding RMB10 million mandates an additional review and approval by our chief financial officer, ensuring stringent oversight on large-scale capital outflows. We maintain a continuous post-investment monitoring mechanism. Our finance department regularly reviews the status of our investment portfolio, tracking the principal safety and interest settlement status. These monitoring results are subject to the review of our chief financial officer. If any potential risks regarding the counterparty’s ability to fulfill its obligations are detected, the finance department will report to the management to formulate response measures.

Our primary strategy regarding these assets is to match the product maturity with our forecasted cash usage and hold them to maturity. Therefore, we generally do not actively trade

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these assets. However, we maintain the right to redeem the products early, subject to the terms and conditions of the specific products, should the Group encounter urgent unforeseen liquidity needs. Any decision to divest or redeem early requires the same level of approval authority as the initial investment decision. Upon the [REDACTED], we will ensure that our investments in such financial products strictly comply with the requirements under Chapter 14 of the Listing Rules.

Liabilities

Trade and Bills Payables

Our trade and bills payables consist primarily of payables for the purchase of goods. During the Track Record Period, our bills payable consisted of bank acceptance bills issued primarily for the procurement of raw materials, with maturity periods typically ranging from three to six months. The following table sets forth our trade and bills payables as of the dates indicated.

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade and bills payables				
Trade payables	50,782	69,549	80,579	74,180
Bills payable	227,813	183,654	279,828	405,372
Total	278,595	253,203	360,407	479,552

Our trade and bills payables decreased from RMB278.6 million as of December 31, 2023 to RMB253.2 million as of December 31, 2024, primarily driven by a decrease in bills payable, which was attributable to a temporary adjustment in our procurement settlement arrangements with a higher proportion of cash settlements in 2024. During this period, procurement orders for certain materials were split between different operating subsidiaries of the Group as part of a transition in our production arrangements. This decentralization of orders reduced the average settlement amount per transaction with suppliers. In accordance with our internal payment policy, which prioritizes the use of bank acceptance bills for settlements exceeding RMB100,000 and cash for smaller amounts, the reduction in individual transaction sizes led to a higher proportion of settlements falling below the threshold for bill issuance, thereby temporarily increasing cash settlements and reducing the balance of bills payable. This amount subsequently increased to RMB360.4 million as of December 31, 2025, reflecting an increase in bills payable. This increase was primarily driven by an increase in our procurement volume to support the sales growth following our continuous channel expansion. The amount further increased to RMB479.6 million as of May 31, 2026, reflecting an increase in bills payable, primarily due to the increase in procurement volume to support the sales growth.

The following table sets forth our trade and bills payables turnover days for the years/periods indicated.

	For the Year Ended December 31,			For the Five Months Ended May 31,
	2023	2024	2025	2026
Trade and bills payables turnover days ⁽¹⁾	199	182	182	189

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Note:

- (1) The trade payables and bills payables turnover days are derived by dividing the average of the beginning and ending trade payables and bills payables balance by cost of sales for the relevant period and multiplied by the number of days in the respective period (i.e., 365 days for the full years and 151 days for the five-month period ended May 31, 2026).

Our trade and bills payables turnover days decreased from 199 days in 2023 to 182 days in 2024, primarily reflecting a decrease in our ending trade and bills payables balance as we increased the proportion of cash settlements. Our trade and bills payables turnover days remained stable at 182 days in 2025 increased to 189 days for the five months ended May 31, 2026, primarily reflecting the increase in our period-end trade and bills payables balance driven by the growth in our procurement volume.

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

	As of December 31,			As of May 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within one year	276,607	251,579	359,838	478,709
Over one year	1,988	1,624	569	843
Total	278,595	253,203	360,407	479,552

As of June 25, 2026, approximately RMB62.3 million, or 13.0% of our trade and bills payables outstanding as of May 31, 2026, had been subsequently settled.

Contract Liabilities

Our contract liabilities primarily represent short-term advances received from customers. Our contract liabilities were RMB9.0 million, RMB22.8 million, RMB18.8 million and RMB13.5 million as of December 31, 2023, 2024, 2025 and May 31, 2026, respectively. The fluctuations were primarily due to changes in advances received from certain customers. As of June 25, 2026, approximately RMB5.5 million, or 40.4% of our contract liabilities outstanding as of May 31, 2026, had been subsequently recognized as revenue.

Other Payables and Accruals

Other payables and accruals consist of (i) payroll payable, which represent accrued salaries, bonuses, and other welfare benefits for our employees, (ii) volume rebates payables, which represent estimated rebates payable to distributors based on their sales performance, (iii) deposits, primarily representing security deposits and quality assurance deposits received from suppliers and business partners, (iv) VAT payable, (v) other tax payables, (vi) other payables, primarily consisting of amounts payable for advertising and marketing services, (vii) [REDACTED] expenses payable, and (viii) other payables for property, plant and equipment. The following table sets forth our other payables and accruals as of the dates indicated.

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	As of December 31,			As of May 31,
	2023	2024	2025	2026
	(RMB in thousands)			
Other payables and accruals				
Payroll payable	37,677	35,469	44,060	31,765
Volume rebates payables	28,424	21,245	16,429	24,505
Deposits	14,140	15,700	13,807	12,908
VAT payable	6,225	7,167	9,542	10,232
Other tax payables	2,656	3,122	4,130	4,514
Other payables	20,653	18,011	24,420	26,782
[REDACTED] expenses payable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables for property, plant and equipment	64,251	34,430	20,308	13,404
Total	174,026	135,144	138,405	125,830

Our other payables and accruals decreased from RMB174.0 million as of December 31, 2023 to RMB135.1 million as of December 31, 2024, primarily driven by (i) a decrease in payables for property, plant and equipment following the settlement of construction costs for Phase I of our SKG Future Health Digital Manufacturing Base, and (ii) a decrease in volume rebates payables, as certain major distributors did not achieve their contractual annual performance targets. This amount increased to RMB138.4 million as of December 31, 2025, primarily attributable to (i) an increase in payroll payable, reflecting the consolidation of the newly acquired OTO entities which led to higher accrued salaries, bonuses, and severance pay, (ii) an increase in other payables, primarily driven by accrued expenses for brand promotion and celebrity endorsement campaigns, and (iii) the recognition of [REDACTED] expenses payable in connection with the [REDACTED]. These increases were partially offset by a continuous decrease in other payables for property, plant and equipment following the settlement of construction costs for our Phase I SKG Future Health Digital Manufacturing Base, as well as a further decrease in volume rebates payables. The amount decreased to RMB125.8 million as of May 31, 2026, primarily attributable to (i) a decrease in payroll payable due to the payment of staff bonuses in 2026, (ii) a decrease in other payables for property, plant and equipment, driven by the settlement of payables relating to stores’ renovation, and (iii) a decrease in [REDACTED] expenses payable in connection with the [REDACTED]. These decreases were partially offset by an increase in volume rebates payables, primarily driven by a lower level of rebate settlements during the period.

Provisions

Our provisions increased from RMB2.0 million as of December 31, 2023 to RMB4.6 million as of December 31, 2024, primarily due to an increase in provisions for sales return and the recognition of provisions for product warranties. This amount decreased to RMB2.9 million as of December 31, 2025, primarily due to a decrease in provisions for sales return and product warranties. Our provisions increased to RMB3.7 million as of May 31, 2026, primarily due to an increase in provisions for sales return and the recognition of provisions for product warranties.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our procurement of raw material, research and development and sales activities, and other operational needs. During the Track Record Period, we financed our capital expenditures and working capital requirements principally with cash generated from our operations. After the [REDACTED], we believe that our liquidity requirements will continue to be satisfied with a combination of these sources and net

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[REDACTED] from the [REDACTED]. As of December 31, 2023, 2024 and 2025 and May 31, 2026, our cash and cash equivalents, restricted bank deposits, time deposits and certificates of deposit amounted to RMB518.2 million, RMB504.3 million, RMB517.3 million and RMB397.4 million, respectively.

Cash Flows

The following table sets forth our selected cash flow data for the years/periods indicated.

	For the Year Ended December 31,			For the Five Months Ended May 31,	
	2023	2024	2025	2025	2026
	(RMB in thousands)			(Unaudited)	
Net cash flows generated from/(used in) operating activities	235,503	129,902	171,820	(24,471)	245,740
Net cash flows used in investing activities	(258,184)	(339,987)	(58,425)	(140,066)	(271,973)
Net cash flows (used in)/generated from financing activities	(43,225)	(15,286)	(106,874)	140,797	30,065
Net (decrease)/increase in cash and cash equivalents	(65,906)	(225,371)	6,521	(23,740)	3,832
Cash and cash equivalents at the beginning of the year/period	378,103	313,433	88,521	88,521	94,847
Effect of foreign exchange rate changes, net	1,236	459	(195)	116	(470)
Cash and cash equivalents at the end of the year/period	313,433	88,521	94,847	64,897	98,209

Net Cash Generated/(Used in) from Operating Activities

Our restricted bank deposits affected our working capital changes during the Track Record Period. These restricted bank deposits were mainly used for (i) the issuance of bank acceptance bills, which are released when the corresponding bills are paid, and (ii) securing certain lawsuits between our Group and other third parties, which are released upon the settlement of the respective cases. Given these specific purposes, these bank deposits are not readily available for meeting our Group’s general liquidity needs.

Net cash from operating activities was RMB245.7 million for the five months ended May 31, 2026, primarily due to a profit before tax of RMB65.7 million, as adjusted for (i) certain non-cash or non-operating items, primarily including (a) depreciation of property, plant and equipment of RMB13.0 million, (b) depreciation of right-of-use assets of RMB8.6 million, (c) share-based payment expenses of RMB5.7 million, partially offset by interest income of RMB4.6 million, and (d) fair value losses from financial assets at FVTPL, net of RMB4.7 million; and (ii) changes in working capital that positively affected cash flows, primarily including (a) an

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increase in trade and bills payables of RMB110.6 million, primarily due to the growth in our sales and (b) a decrease in restricted bank deposits of RMB88.1 million, reflecting the increased issuance of bank acceptance bills for procurement, which required higher security deposits. These were partially offset by changes in working capital that negatively affected cash flows, primarily including (a) an increase in trade and bills receivables of RMB20.7 million, (b) an increase in inventories of RMB14.5 million, (c) an increase in prepayments, other receivables and other assets of RMB8.9 million, and (d) a decrease in contract liabilities of RMB5.2 million.

Net cash from operating activities was RMB171.8 million in 2025, primarily due to a profit before tax of RMB146.6 million, as adjusted for (i) certain non-cash or non-operating items, primarily including (a) depreciation of property, plant and equipment of RMB31.7 million, (b) depreciation of right-of-use assets of RMB14.4 million, (c) amortization of intangible assets of RMB6.0 million, and (d) share-based payment expenses of RMB4.5 million, partially offset by interest income of RMB11.4 million. This was further affected by changes in working capital that negatively affected cash flows, primarily including (a) an increase in trade and bills receivables of RMB38.1 million, reflecting the growth in our sales and the consolidation of trade receivables from the OTO acquisition in 2025, (b) an increase in restricted bank deposits of RMB31.8 million, mainly due to the increased issuance of bank acceptance bills for procurement, which required higher security deposits, and (c) an increase in inventories of RMB21.7 million, which were partially offset by changes in working capital that positively affected cash flows, primarily including an increase in trade and bills payables of RMB90.7 million.

Net cash from operating activities was RMB129.9 million in 2024, primarily due to a profit before tax of RMB149.7 million, as adjusted for (i) certain non-cash or non-operating items, primarily including (a) depreciation of property, plant and equipment of RMB31.3 million, (b) depreciation of right-of-use assets of RMB8.7 million, and (c) write-down of inventories of RMB5.9 million, partially offset by interest income of RMB12.0 million and share-based payment expense reversal of RMB9.5 million. This was further affected by changes in working capital that negatively affected cash flows, primarily including (a) an increase in restricted bank deposits of RMB17.9 million, mainly due to the freezing of approximately RMB10.0 million in bank deposits related to a litigation case, (b) a decrease in trade and bills payables of RMB20.4 million, mainly due to a temporary adjustment in our procurement settlement arrangements with a higher proportion of cash settlements in 2024, and (c) a decrease in other payables and accruals of RMB8.8 million, which were partially offset by changes in working capital that positively affected cash flows, including an increase in contract liabilities of RMB13.8 million.

Net cash from operating activities was RMB235.5 million in 2023, primarily due to a profit before tax of RMB135.9 million, as adjusted for (i) certain non-cash or non-operating items, primarily including (a) depreciation of property, plant and equipment of RMB28.7 million, (b) depreciation of right-of-use assets of RMB10.6 million, and (c) write-down of inventories of RMB6.2 million, partially offset by interest income of RMB9.4 million and share-based payment expense reversal of RMB8.4 million; and (ii) changes in working capital that positively affected cash flows, primarily including (a) an increase in trade and bills payables of RMB37.0 million, (b) an increase in other payables and accruals of RMB38.6 million, and (c) a decrease in inventories of RMB10.5 million. These were partially offset by changes in working capital that negatively affected cash flows, primarily including an increase in prepayments, other receivables and other assets of RMB12.1 million.

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Net Cash Used in Investing Activities

Within our cash flows from investing activities, cash flows related to the financial assets at FVTPL primarily represented the wealth management products and structured deposits purchased by our Group from certified financial institutions in Chinese mainland. The proceeds from disposal of financial assets at FVTPL do not relate to the disposal of assets before their maturity, but rather represent the proceeds received upon the maturity of these financial assets. Additionally, the bid deposits for asset purchases refer to the deposits received from our construction suppliers in relation to our Group’s construction in progress. As they are directly related to the capital expenditure of our Group, the associated cash flows are classified as investing activities.

Net cash used in investing activities was RMB272.0 million for the five months ended May 31, 2026, primarily due to RMB935.0 million in additions of financial assets at FVTPL, RMB64.2 million in additions of time deposits and RMB30.3 million in purchases of items of property, plant and equipment. This was partially offset by RMB656.4 million in proceeds from disposal of financial assets at FVTPL and RMB100.0 million in proceeds from maturity of time deposits.

Net cash used in investing activities was RMB58.4 million in 2025, primarily due to RMB2,159.7 million in additions of financial assets at FVTPL, RMB132.2 million in additions of time deposits and RMB50.6 million in purchases of items of property, plant and equipment. This was partially offset by RMB2,121.8 million in proceeds from disposal of financial assets at FVTPL, RMB120.4 million in proceeds from maturity of certificates of deposit and RMB32.8 million in proceeds from maturity of time deposits.

Net cash used in investing activities was RMB340.0 million in 2024, primarily due to RMB560.0 million in payments for the purchase of financial assets at FVTPL, RMB246.6 million in additions of time deposits, and RMB53.7 million in purchases of property, plant and equipment. This was partially offset by RMB462.2 million in proceeds from the disposal of financial assets at FVTPL and RMB107.4 million in receipts of time deposits upon maturity.

Net cash used in investing activities was RMB258.2 million in 2023, primarily due to RMB182.8 million in purchases of property, plant and equipment and RMB314.0 million in payments for the purchase of financial assets at FVTPL. This was partially offset by RMB257.1 million in proceeds from the disposal of financial assets at FVTPL.

Net Cash (Used in)/Generated from Financing Activities

Net cash generated from financing activities was RMB30.1 million for the five months ended May 31, 2026, primarily due to RMB120.0 million in proceeds from new bank borrowings, partially offset by RMB80.0 million in repayment of bank borrowings, RMB7.4 million in principal portion of lease payments and RMB1.9 million in interest paid.

Net cash used in financing activities was RMB106.9 million in 2025, primarily due to RMB199.4 million in dividends paid and RMB170.0 million in repayment of bank borrowings. These were partially offset by RMB280.0 million in proceeds from new bank borrowings.

Net cash used in financing activities was RMB15.3 million in 2024, primarily due to RMB7.4 million in principal portion of lease payments, RMB5.1 million in payments of [REDACTED] expenses and RMB2.5 million in interest paid. During the year, proceeds from new bank borrowings of RMB164.5 million were fully utilized for the repayment of bank borrowings.

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Net cash used in financing activities was RMB43.2 million in 2023, primarily due to RMB30.0 million in dividends paid and RMB10.3 million in principal portion of lease payments.

Working Capital Sufficiency

Taking into account the net [REDACTED] from the [REDACTED] and the financial resources available to us, including cash and cash equivalents and cash flows from operating activities, our Directors believe that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this document.

Current Assets and Current Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2023	2024	2025	May 31,	June 25,
				2026	2026
	(RMB in thousands)				(Unaudited)
Current assets					
Inventories	70,104	60,941	87,484	97,709	125,063
Trade and bills receivables	45,001	43,390	86,997	106,529	80,095
Prepayments, other receivables and other assets	60,789	72,077	72,693	83,088	97,076
Financial assets at fair value through profit or loss	100,346	200,599	243,096	516,925	428,803
Time deposits	–	–	101,737	212,162	212,162
Certificates of deposit	–	132,391	21,358	51,319	51,319
Restricted bank deposits	76,661	40,803	123,937	35,661	35,661
Cash and cash equivalents	313,433	88,521	94,847	98,209	110,609
Total current assets	666,334	638,722	832,149	1,201,602	1,140,788
Current liabilities					
Trade and bills payables	278,595	253,203	360,407	479,552	466,247
Contract liabilities	8,980	22,817	18,756	13,511	14,666
Other payables and accruals	174,026	135,144	138,405	125,830	114,132
Interest-bearing bank borrowings	12,663	70,042	180,061	220,061	160,025
Lease liabilities	4,822	4,161	13,441	12,917	11,952
Tax payables	5,753	9,235	2,698	6,641	6,641
Provision	2,025	4,647	2,918	3,718	3,718
Total current liabilities	486,864	499,249	716,686	862,230	777,381
Net Current Assets	179,470	139,473	115,463	339,372	363,408

Our net current assets increased from RMB339.4 million as of May 31, 2026 to RMB363.4 million as of June 25, 2026, primarily because the decrease in our total current liabilities outpaced the decrease in our total current assets. The decrease in our total current liabilities from RMB862.2 million to RMB777.4 million was mainly driven by (i) a decrease in interest-bearing bank borrowings from RMB220.1 million to RMB160.0 million, (ii) a decrease in trade and bills payables from RMB479.6 million to RMB466.2 million, (iii) a

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decrease in other payables and other accruals from RMB125.8 million to RMB114.1 million. The decrease in total current assets from RMB1,201.6 million to RMB1,140.8 million was mainly driven by (i) a decrease in financial assets at fair value through profit or loss from RMB516.9 million to RMB428.8 million, (ii) a decrease in trade and bills receivables from RMB106.5 million to RMB80.1 million. These decreases were partially offset by (i) an increase in inventories from RMB97.7 million to RMB125.1 million, (ii) an increase in prepayments, other receivables and other assets from RMB83.1 million to RMB97.1 million, and (iii) an increase in cash and cash equivalents from RMB98.2 million to RMB110.6 million.

Our net current assets increased from RMB115.5 million as of December 31, 2025 to RMB339.4 million as of May 31, 2026, primarily because the increase in our total current assets outpaced the increase in our total current liabilities. The increase in total current assets from RMB832.1 million to RMB1,201.6 million was mainly driven by (i) an increase in financial assets at FVTPL from RMB243.1 million to RMB516.9 million, and (ii) an increase in time deposits from RMB101.7 million to RMB212.2 million. These increases were partially offset by a decrease in restricted bank deposits from RMB123.9 million to RMB35.7 million. The increase in total current liabilities from RMB716.7 million to RMB862.2 million was mainly driven by (i) an increase in trade and bills payables from RMB360.4 million to RMB479.6 million, and (ii) an increase in interest-bearing bank borrowing from RMB180.1 million to RMB220.1 million. This increase was partially offset by (i) a decrease in other payables and accruals from RMB138.4 million to RMB125.8 million, and (ii) a decreased in contract liabilities from RMB18.8 million to RMB13.5 million.

Our net current assets decreased from RMB139.5 million as of December 31, 2024 to RMB115.5 million as of December 31, 2025, primarily because the increase in our total current liabilities outpaced the growth in our total current assets. The increase in total current liabilities from RMB499.2 million to RMB716.7 million was mainly driven by (i) an increase in trade and bills payables from RMB253.2 million to RMB360.4 million and (ii) an increase in interest-bearing bank borrowings from RMB70.0 million to RMB180.1 million. The increase in total current assets from RMB638.7 million to RMB832.1 million was mainly attributable to (i) an increase in time deposits with original maturity of over three months from nil to RMB101.7 million, (ii) an increase in restricted bank deposits from RMB40.8 million to RMB123.9 million, (iii) an increase in trade and bills receivables from RMB43.4 million to RMB87.0 million, (iv) an increase in financial assets at fair value through profit or loss from RMB200.6 million to RMB243.1 million, and (v) an increase in inventories from RMB60.9 million to RMB87.5 million. This overall increase was partially offset by a decrease in certificates of deposit from RMB132.4 million to RMB21.4 million.

Our net current assets decreased from RMB179.5 million as of December 31, 2023 to RMB139.5 million as of December 31, 2024. This was primarily because our total current assets decreased from RMB666.3 million to RMB638.7 million, while our total current liabilities increased from RMB486.9 million to RMB499.2 million. The decrease in total current assets was mainly due to a decrease in cash and cash equivalents from RMB313.4 million to RMB88.5 million. This was partially offset by (i) an increase in financial assets at fair value through profit or loss from RMB100.3 million to RMB200.6 million, and (ii) an increase in certificates of deposit from nil to RMB132.4 million. The increase in total current liabilities was primarily due to an increase in interest-bearing bank borrowings from RMB12.7 million to RMB70.0 million. This increase was partially offset by (i) a decrease in other payables and accruals from RMB174.0 million to RMB135.1 million, and (ii) a decrease in trade and bills payables from RMB278.6 million to RMB253.2 million.

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INDEBTEDNESS

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

	As of December 31,			As of	As of
	2023	2024	2025	May 31,	June 25,
				2026	2026
	(RMB in thousands)			(Unaudited)	
Current					
Interest-bearing bank borrowings .	12,663	70,042	180,061	220,061	160,025
Lease liabilities	4,822	4,161	13,441	12,917	11,952
Subtotal	17,485	74,203	193,502	232,978	171,977
Non-current					
Interest-bearing bank borrowings .	57,400	—	—	—	—
Lease liabilities	985	1,229	5,397	17,076	16,337
Subtotal	58,385	1,229	5,397	17,076	16,337
Total	75,870	75,432	198,899	250,054	188,314

Interest-bearing bank borrowings

We had interest-bearing bank borrowings of RMB70.1 million, RMB70.0 million, RMB180.1 million, RMB220.1 million and RMB160.0 million as of December 31, 2023, 2024, 2025, May 31, 2026 and June 25, 2026, respectively. The total amount of our bank borrowings remained relatively stable as of December 31, 2023 and December 31, 2024, and subsequently increased as of December 31, 2025 and May 31, 2026, primarily to fund our working capital and support our business expansion. The effective interest rate of our interest-bearing bank loans ranged between 1.50% and 2.70% during the Track Record Period.

Certain of our bank borrowings were secured by our assets or guaranteed by related parties during the Track Record Period. As of December 31, 2023, certain of our leasehold land was pledged to secure bank borrowings amounting to RMB70.0 million. As of December 31, 2024, certain of our invention patents were pledged to secure bank borrowings amounting to RMB65.0 million. Our long-term bank borrowings in the amount of RMB70.0 million were repaid in 2024 prior to maturity. As of December 31, 2023, 2024, 2025 and May 31, 2026, certain related parties of the Group provided guarantees for certain of our bank borrowings. As of May 31, 2026, a significant portion of these guarantees provided by related parties had been released. The remaining guarantees provided by related parties are expected to be released on or before the [REDACTED]. For further details regarding the guarantees provided by related parties, please refer to Note 36(d) to the Accountants’ Report included in Appendix I to this document.

Our bank loans contain standard terms, conditions and covenants that are customary for commercial bank loans in China. Our Directors confirmed that we did not experience any difficulty in obtaining bank loans or other borrowings, default in payment of bank loans or other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of June 25, 2026, we had unutilized banking facilities of RMB831.5 million which were committed and unrestricted.

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Lease Liabilities

Our lease liabilities primarily relate to our leases for properties, including offices, production facilities, and R&D centers. Our lease liabilities were RMB5.8 million, RMB5.4 million, RMB18.8 million, RMB30.0 million and RMB28.3 million as of December 31, 2023, 2024, 2025 and May 31, 2026 and June 25, 2026, respectively. The balance remained relatively stable as of December 31, 2023 and 2024. The subsequent increase as of December 31, 2025 and May 31, 2026 was mainly attributable to (i) the consolidation of lease liabilities arising from the acquisition in 2025, and (ii) new lease agreements entered into for our office space.

Indebtedness Statement

Except as discussed above, as of June 25, 2026, being the indebtedness statement date, we did not have any outstanding 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. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing. As of June 25, 2026, we did not have plans for other material external debt financing.

Our Directors confirm that (i) there has not been any material change in our indebtedness since June 25, 2026 and up to the Latest Practicable Date, and (ii) during the Track Record Period and up to the date of this document, we did not have any material default on our indebtedness or breach of covenant.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period were primarily related to purchases of items of property, plant and equipment and additions of intangible assets. Our capital expenditures were RMB180.1 million, RMB42.3 million, RMB44.4 million and RMB31.3 million in 2023, 2024 and 2025 and for the five months ended May 31, 2026, respectively. We intend to fund our future capital expenditures with net proceeds from equity and debt financings and the cash on our consolidated statements of financial position.

CAPITAL COMMITMENT

Our capital commitments are mainly related to contracts for the acquisition of property, plant and equipment. As of December 31, 2023, 2024 and 2025 and May 31, 2026, we had RMB55.4 million, RMB11.4 million, RMB98.5 million and RMB71.0 million of capital commitments contracted for but not yet provided.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

KEY FINANCIAL INDICATORS

The following table sets forth our selected financial indicators for the years/periods and as of the dates indicated.

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	For the Year Ended/As of December 31,			For the Five Months Ended/As of May 31,
	2023	2024	2025	2026
Profitability indicators				
Gross margin (%) ⁽¹⁾	49.1	48.9	49.5	48.2
Adjusted net profit margin (non-IFRS measure) (%) ⁽²⁾	11.8	12.1	12.9	10.8
Return on equity (%) ⁽³⁾	20.1	18.4	17.1	N/A
Liquidity indicators				
Current ratio (times) ⁽⁴⁾	1.4	1.3	1.2	1.4
Quick ratio (times) ⁽⁵⁾	1.2	1.2	1.0	1.3

Notes:

- (1) Gross margin equals gross profit divided by revenue for the same year/period.
- (2) Adjusted net profit margin (non-IFRS measure) equals adjusted net profit for the year/period (non-IFRS measure) divided by revenue for the same year/period. Adjusted net profit is a non-IFRS measure derived from profit for the year/period by adjusting for certain items. See “Financial Information – Non-IFRS Measures” for more details and a reconciliation of this measure.
- (3) Return on equity equals profit for the year divided by the average of the beginning and ending equity balances of a year.
- (4) Current ratio equals current assets divided by current liabilities as of the end of each year/period.
- (5) Quick ratio equals current assets less inventories divided by current liabilities as of the end of each year/period.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details about our material related party transactions, see Note 36 to the Accountants’ Report included in Appendix I to this document.

Our Directors are of the view that each of the material related party transactions set out in Note 36 to the Accountants’ Report included in Appendix I to this document was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our material-related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

FINANCIAL RISKS

Our principal financial instruments comprise interest-bearing bank borrowings, financial assets at fair value through profit or loss and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities which arise directly from our operations. The main risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk.

See Note 39 to the Accountant’s Report in Appendix I to this document for more details.

DIVIDENDS

We have adopted a dividend policy as part of our Articles of Association. In 2023, a dividend of RMB30.0 million was declared by us to our equity shareholders, of which RMB30.0

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million was paid in the same year. In 2025, a dividend of RMB199.4 million was declared by us to our equity shareholders, and was paid in September and October 2025. No dividend was declared or paid by us in 2024 and during the five months ended May 31, 2026 to our equity shareholders.

According to applicable PRC laws and regulations, including the Company Law of the People’s Republic of China (《中華人民共和國公司法》), and our Articles of Association, when distributing our after-tax profit for a given year, we must allocate 10% of such profit to the statutory reserve, unless the accumulated amount of such reserve has reached 50% or more of our registered capital. If our statutory reserve is insufficient to make up for the losses of the previous year, we shall first use the profit of the current year to make up for such losses. After making up for the losses and making allocation to the statutory reserve, we may also make allocation to the discretionary common reserve subject to Shareholders’ approval. The remaining after-tax profit shall be distributed to the Shareholders in proportion to their shareholdings. We do not currently have a pre-determined dividend payout ratio.

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders in a general meeting. Our PRC Legal Advisor is of the opinion that we may pay dividends following approval by our Shareholders in a general meeting, in accordance with applicable laws, regulations, and our Articles of Association.

DISTRIBUTABLE RESERVES

As of May 31, 2026, we had retained profits of RMB313.5 million, which represent the reserves available for distribution to shareholders of the Company as of the same date.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. The estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] range and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately [REDACTED] million (equivalent to approximately [REDACTED] million), accounting for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. These expenses consist of (i) [REDACTED]-related expenses of approximately [REDACTED] million (approximately [REDACTED] million), and (ii) non-[REDACTED] related expenses of approximately [REDACTED] million (approximately [REDACTED] million), which consist of fees and expenses of legal advisors and Reporting Accountants of approximately [REDACTED] million (approximately [REDACTED] million), and other fees and expenses of approximately [REDACTED] million (approximately [REDACTED] million). Approximately [REDACTED] million (equivalent to approximately [REDACTED] million) of the estimated [REDACTED] expenses is directly attributable to the [REDACTED] of new Shares to the public and will be accounted for as a deduction from equity upon completion of the [REDACTED]. During the Track Record Period, we incurred [REDACTED] expenses of [REDACTED] million (approximately [REDACTED] million), [REDACTED] million (approximately [REDACTED] million) of which was charged to our consolidated statements of profit or loss. Approximately [REDACTED] million (equivalent to approximately [REDACTED] million) is expected to be charged in profit or loss before or upon completion of the [REDACTED]. This calculation is subject to adjustment based on the actual amount incurred or to be incurred. The [REDACTED] expenses above are the best estimate as of the Latest Practicable Date and are for reference only. The actual amount may differ from such an estimate.

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UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or **[REDACTED]** position or prospects since May 31, 2026, being the end date of our latest consolidated financial statements as set out in “Appendix I – Accountants’ Report” to this document, and up to the date of this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.