You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountant's Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards.

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, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business" and elsewhere in this document. For further details, see "Forward-Looking Statements."

OVERVIEW

We are the largest community-based fresh product chain company in China, with the household brand Qdama ("錢大媽"). According to CIC, the community-based fresh product chains accounted for 10.2% of the overall China's fresh product retail market in 2025. In 2025, our total GMV reached RMB14.3 billion. According to CIC, we ranked first among community-based fresh product chains in China by GMV of fresh products for six consecutive years. Meanwhile, in China's broader fresh product retail market, we ranked seventh among fresh product chain operators by fresh products GMV in 2025, representing a market share of 0.9%, and were the only community-based fresh product chain brand among the seven largest market players.

We operate primarily under a franchise model and are dedicated to offering consumers fresh, value-for-money products and a convenient shopping experience focusing on the needs of "everyday meal". Driven by our commitment to "no overnight meat" ("不賣隔夜肉"), which has now been extended to all product categories, we introduced the D&C Model, establishing our brand awareness around "freshness" and earning widespread consumer recognition.

During the Track Record Period, we demonstrated our strong focus on profitability and quality of business development. Our gross profit increased from RMB1,148.5 million in 2023 to RMB1,201.9 million in 2024 and further increased to RMB1,268.1 million in 2025. Our gross profit remained relatively stable at RMB580.1 million and RMB584.0 million in the six months ended June 30, 2025 and 2026, respectively. We recorded net profit of RMB168.6 million and RMB288.4 million in 2023 and 2024 and net loss of RMB278.6 million in 2025. We further recorded net profit of RMB176.1 million and RMB68.1 million in the six months ended June 30, 2025 and 2026, respectively. Eliminating the impact of items including (i) fair value gains/(losses) on convertible redeemable preferred shares ("**CRPS**"), (ii) share-based payment expenses for modification of CRPS, (iii) share-based payments to employees and (iv) [**REDACTED**], we recorded an adjusted net profit (non-HKFRS measure) of RMB[**REDACTED**], RMB[**REDACTED**], RMB[**REDACTED**], RMB[**REDACTED**] and RMB[**REDACTED**] in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with the HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The historical financial information has been prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income ("**FVOCI**"), CRPS and derivative financial instruments measured at fair value.

The preparation of the historical financial information in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also

requires our management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 4 to the Accountant's Report in Appendix I in this document. The historical financial information has been prepared on a going concern basis. See Note 2 to the Accountant's Report in Appendix I in this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of general factors, many of which are beyond our control, including: (i) macroeconomic trends; (ii) change in per capita disposable income and per capita expenditure on fresh products; (iii) evolving consumption patterns and habits; (iv) rising food safety awareness and consciousness in everyday life; (v) fluctuations in prices of fresh products, driven by factors such as seasonal supply variations, weather conditions, and changes in feed and transportation costs; (vi) improved logistics and storage infrastructure, such as the development of cold-chain logistics and standardization of supply chain of fresh products; (vii) competitive landscape; and (viii) governmental policies, initiatives and incentives.

In addition to these general factors, the following specific factors have a more direct impact on our results of operations.

Our Product Portfolio and Pricing Strategy

Our products are at the core of our business, and we sell them through our extensive store network. We are dedicated to offering franchisees and consumers quality, value-for-money fresh products, complemented by our warm service that forms neighborly ties and a loyal community of consumers. Our product portfolio covers diverse product types, including primary fresh animal proteins (namely, (i) pork products, (ii) meat, poultry and eggs (excluding pork products) and (iii) seafood), fresh produce (namely, vegetables and fruits), as well as chilled and prepared foods. Our product portfolio continued to evolve throughout the Track Record Period. The diversity of our product portfolio allows us to capture varying tastes and preferences in consumer demand. Through our offering of quality products, we have cultivated long-term brand recognition among consumers. Our revenue from product sales amounted to RMB11,460.1 million, RMB11,490.7 million, RMB11,038.7 million, RMB5,065.2 million and RMB4,951.5 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 97.6%, 97.5%, 97.3%, 97.4% and 97.2% of our total revenue for the same periods. Our gross profit margins of product sales were 7.8%, 8.1%, 8.9%, 8.9% and 9.1% in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

We provide guidance on the pricing of products in the stores using our own pricing model, which is based on, among other factors, costs, profit margin, regional differences and market demand. As a result, the retail price varies across different stores. In addition, we have established a rigorous dynamic market price monitoring mechanism. For instance, the market prices of pork products are subject to fluctuations throughout the hog cycle. Through the implementation of the dynamic pricing strategy, we are able to better attract franchisees and consumers, manage inventory and maintain profitability. Furthermore, we offer an assortment of promotional products, typically vegetables, which serves as a key driver of consumer traffic to our stores. We change the selection of promotional products and adjust product pricing. See "Business — Pricing Policy — Store Pricing Guidance." Benefiting from our mature pricing strategy and continually refreshed product portfolio, our gross profit margin on product sales improved steadily during the Track Record Period.

Our Extensive Offline Store Network, Complemented by Online Sales Channels

Our extensive offline store network comprises franchise and self-operated stores. As of December 31, 2023, 2024, 2025 and June 30, 2026, our offline store network consisted of a total of 2,916, 2,922, 2,904 and 3,014 stores, respectively, of which 2,835, 2,863, 2,861 and

2,946 were franchise stores. The majority of our offline stores are located in Guangdong Province. As of December 31, 2023, 2024, 2025 and June 30, 2026, we had 2,017, 2,029, 1,970 and 1,991 stores in Guangdong Province, representing 69.2%, 69.4%, 67.8% and 66.0% of our total number of stores, respectively. As of December 31, 2023, 2024, 2025 and June 30, 2026, our store network consisted of 838, 826, 861 and 946 stores in other regions in Chinese Mainland, representing 28.7%, 28.3%, 29.6% and 31.4% of the total number of stores in our store network, respectively. As we expanded beyond the Chinese Mainland market, the number of our stores in Hong Kong and Macau increased from 61 as of December 31, 2023 to 67 as of December 31, 2024, further increased to 73 as of December 31, 2025 and 77 as of June 30, 2026. We expect to open more stores in existing regions, as well as expanding into new geographic markets in China. We plan to continue to expand our presence in China by increasing our geographic coverage and deepening our market penetration.

Our revenue is primarily derived from product sales to franchisees, who operate franchise stores under our brand and sell our products to consumers. In our franchise model, we also charge (i) franchise fees, which are recognized over the scheduled period on a straight-line basis, and (ii) sales-based royalty fees to franchisees. The franchise service fee is fixed and charged upfront for each newly opened franchise store, which is recognized over the term of the relevant franchise agreement, which typically ranges from three to five years. The sales-based royalty fees are based on a certain percentage of daily sales to consumers. The sales-based royalty fees are recognized when the sales of franchisee to consumer transaction occur, and thus are generally driven by the increase in the number of franchise stores and their aggregate product sales. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, the revenue from sales to our franchisees amounted to RMB11,091.6 million, RMB11,140.4 million, RMB10,812.6 million, RMB4,940.0 million and RMB4,840.3 million, respectively, representing 94.5%, 94.5%, 95.3%, 95.0% and 95.0% of our revenue for the same periods.

Our extensive store network is complemented by online sales channels, which include (i) our Qdama Mini Programs and App, and (ii) partnering with third-party food delivery platforms, such as Meituan (美團), Taobao Flash Shopping (淘寶閃購) and JD-Daojia (京東到家). Such sales are recorded as sales revenue of the stores which processed and delivered orders. Our online channels complement these stores by offering convenient ordering and pickup options to create a convenient shopping experience.

Our Strong Supply Chain Capabilities

We have built a robust supply chain infrastructure that ensures product freshness and quality while enhancing cost efficiency. We implement a dynamic procurement approach comprising (i) sourcing from farming bases, (ii) supplier procurement, and (iii) order-based farming. This approach allows us to ensure quality consistency, operational efficiency, and cost competitiveness while catering to diversified consumer demand across different regions in China. In addition, we have established a network of integrated distribution centers and logistics operations designed to maintain an efficient delivery of fresh products to our stores, upholding our "no overnight meat" commitment while improving operational efficiency and cost-effectiveness. As of June 30, 2026, we operated 16 integrated distribution centers with sorting and processing capabilities. Each integrated distribution center is equipped with processing centers, where we carry out preliminary processing and packaging of vegetables, meat and other fresh products, achieving significant cost savings while enhancing quality. See "Business — Supply Chain Infrastructure."

In addition, as of June 30, 2026, we cooperated with over 80 logistics partners, arranging a daily average of over 600 cold-chain vehicles for delivery of products to our stores. We provide improved routes and outsource the delivery service to logistics service suppliers, who are responsible for arranging vehicles, drivers and delivery services. We leverage their distribution operations to create a highly efficient supply chain from integrated distribution centers to stores. We incurred logistics expenses of RMB312.8 million, RMB292.1 million, RMB278.0 million, RMB132.2 million and RMB133.6 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, accounting for 51.6%, 48.1%, 48.8%, 47.8% and 46.6% of our selling and marketing expenses and 2.7%, 2.5%,

2.5%, 2.5% and 2.6% of our revenue for the same periods. We believe that a strong distribution network will continually empower our business expansion. Meanwhile, our dense store network and continually improved delivery routes allow for faster delivery of products to our offline stores.

We have efficient inventory turnover cycles for the vast majority of our products, as we tailor the procurement volume according to sales orders. We typically do not maintain inventory for products to be sold in offline stores. Our integrated distribution centers cover all of the stores and are empowered by our digitized supply chain system, ensuring deliveries from the integrated distribution centers to stores to be fulfilled within four to five hours. In 2023, 2024, 2025 and the six months ended June 30, 2026, our inventory turnover days were 1.4 days, 1.2 days, 1.4 days and 1.5 days, respectively. Therefore, our integrated distribution centers primarily act as hubs for sorting and processing rather than storage. We believe that our self-operated integrated distribution centers and in-house processing capabilities will support a stable, high-volume supply of quality products while ensuring food safety. See "Business — Supply Chain Infrastructure."

Digitalized Operations to Manage Costs and Enhance Operational Efficiency

We have developed in-house digital capabilities that cover the entire business chain, from consumer engagement to supply chain management and store operations, which enhance our operational efficiency, data visibility and decision-making precision. We operate a multichannel digital marketing and sales network centered on our Qdama Mini Programs, store-based community groups, and partnerships with third-party food delivery platforms. Through our membership system and digital data analytics, we collect and analyze transaction data to understand purchasing behaviors and consumption patterns to refine product selection, pricing and promotional strategies, thereby improving marketing effectiveness and enhancing overall consumer satisfaction. In addition, our digitized supply chain system provides end-to-end coordination across procurement, sorting, processing and logistics. With real-time monitoring of supply-and-demand dynamics from suppliers to stores, we ensure timely replenishment and inventory optimization while enhancing operational efficiency and reducing costs. Our management and franchisees can thus make informed decisions to enhance efficiency and drive targeted marketing. Furthermore, our Digital Operation Platform connects headquarters directly with all franchise stores, integrating ordering, sales, inventory and pricing data. The platform provides daily forecasts and replenishment recommendations on order placement based on historical sales, consumer traffic and product attributes, with approximately 80% of store orders following system-generated suggestions. Through this digital infrastructure, we empower franchisees by streamlining order placement process and developing marketing strategies through data-driven insights while enabling headquarters to monitor real-time performance, ensure operational compliance, and continuously refine product assortment and pricing strategies based on aggregated data insights. See "Business — Our Digitalization."

Through the expansion of our business scale and digitalization, we have enhanced sales activity efficiency and workforce productivity. Our integrated digital systems enable real-time decision-making and streamlined operations across procurement, logistics and store management. Our administrative expenses represent 3.5%, 3.7%, 3.3%, 3.4% and 3.8% of our revenue in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, while our selling and marketing expenses represent 5.2%, 5.2%, 5.0%, 5.3% and 5.6% of our revenue for the same periods.

To promote our brand and enhance consumer experience, we launched our membership system in November 2016. As of June 30, 2026, the cumulative number of members registered across various channels reached over 30 million. Through our membership program, we engage a vast base of active members through various benefits and activities. We believe that this membership system bolsters our sales and cultivates a closer relationship with consumers, thereby enhancing brand loyalty. See "Business — Branding and Marketing — Member-targeted Marketing Activities."

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. There has been no 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. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Impairment Assessment for Non-Financial Assets

Non-financial assets, mainly including property, plant and equipment, right-of-use assets, intangible assets and investments accounted for using equity method, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value in use ("**VIU**") calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, such as the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect our financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit or loss.

We performed impairment assessment for our non-financial assets, including the right-of-use assets, property and equipment and intangible assets, when events or changes in circumstances indicated that the related asset values may not be recoverable. The carrying value of related assets were supported by recoverable amounts which were calculated for the cash-generating units ("**CGUs**") to which these assets belong using the VIU model. Impairment provision would be made if the carrying amounts exceeded the recoverable amounts of the respective CGUs. The impairment provision made for right-of-use assets amounted to RMB0.6 million, RMB0.2 million, nil, nil and nil for the year ended December 31, 2023, 2024 and 2025 and six months ended June 30, 2025 and 2026, respectively. Our impairment losses on property, plant and equipment amounted to RMB0.5 million, nil, nil, RMB0.4 million and nil for the same periods, respectively.

Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 4 to the Accountant's Report in Appendix I in this document.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(unaudited)	
Revenue	11,744,089	11,787,796	11,343,644	5,202,302	5,095,356
Cost of sales	(10,595,626)	(10,585,926)	(10,075,578)	(4,622,207)	(4,511,333)
Gross profit	**1,148,463**	**1,201,870**	**1,268,066**	**580,095**	**584,023**
Selling and marketing expenses	(605,742)	(607,348)	(569,275)	(276,754)	(286,838)
Administrative expenses	(414,092)	(432,738)	(371,051)	(176,269)	(193,350)
(Provision for)/reversal of impairment loss on financial assets	(528)	555	(658)	376	(329)
Research and development expenses	(19,537)	(16,428)	(11,318)	(6,317)	(5,335)
Other income	20,631	18,758	13,216	6,712	4,742
Other losses – net	(288)	(9,134)	(32,737)	(11,985)	(12,544)
Finance costs – net	(18,801)	(6,526)	(8,635)	(5,407)	(5,777)
Fair value gains/(losses) on CRPS	73,418	163,847	419,052	84,972	(1,985)
Share-based payment expenses for modification of CRPS	–	–	(954,563)	–	–
Profit/(loss) before income tax	**183,524**	**312,856**	**(247,903)**	**195,423**	**82,607**
Income tax expenses	(14,961)	(24,467)	(30,734)	(19,373)	(14,556)
Profit/(loss) for the period	**168,563**	**288,389**	**(278,637)**	**176,050**	**68,051**

NON-HKFRS FINANCIAL MEASURE

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use adjusted net profit as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe this non-HKFRSs measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We also believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management. However, such non-HKFRSs financial measure we present may not be directly comparable to similar measures presented by other companies. The use of such non-HKFRS measure should not be considered as a substitute for analysis of our results of operations or financial condition as reported under HKFRSs.

We define adjusted net profit (non-HKFRS measure) as profit/(loss) for the year/period adjusted by (i) fair value gains/(losses) on CRPS, (ii) share-based payment expenses for modification of CRPS, (iii) share-based payments to employees and (iv) [**REDACTED**]. The following table presents our non-HKFRS measures for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(unaudited)	
Profit/(loss) for the year/period	168,563	288,389	(278,637)	176,050	68,051
Adjusted by deducting:					
Fair value gains/(losses) on CRPS[(1)]	73,418	163,847	419,052	84,972	(1,985)
Share-based payment expenses for modification of CRPS[(1)]	–	–	(954,563)	–	–
Share-based payments to employees[(2)]	(18,147)	(51,735)	(23,221)	(8,993)	(25,929)
[**REDACTED**][(3)]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted net profit (non-HKFRS measure)	**116,378**	**193,206**	**295,767**	**100,071**	**103,742**

Notes:

(1) Our CRPS we issued to Pre-[**REDACTED**] investors will be re-classified from liabilities to equity as a result of automatic conversion into Ordinary Shares upon [**REDACTED**]. We adjust fair value gains/(losses) on CRPS and share-based payment expenses for modification of CRPS because they are non-cash in nature.

(2) Share-based payments to employees mainly represent expenses associated with the equity incentive plans designed for management and employees who have demonstrated outstanding performance. We adjust equity settled share-based payments to employees because they are non-cash in nature.

(3) [**REDACTED**] represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. We adjust [**REDACTED**] because they are related to this [**REDACTED**].

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Revenue by Business Segment

During the Track Record Period, we primarily derived revenue from product sales. The following table sets forth a breakdown of our revenue by business segment in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Product sales										
Sales to franchisees	10,883,144	92.7	10,946,021	92.9	10,636,742	93.8	4,858,823	93.4	4,759,382	93.4
Direct sales via self-operated stores	496,336	4.2	505,289	4.3	381,704	3.4	194,677	3.7	183,840	3.6
Sales to non-franchisee customers[(1)]	80,572	0.7	39,347	0.3	20,214	0.2	11,666	0.2	8,250	0.2
Sub-total	**11,460,052**	**97.6**	**11,490,657**	**97.5**	**11,038,660**	**97.3**	**5,065,166**	**97.4**	**4,951,472**	**97.2**
Royalty and franchising services										
Sales-based royalty	158,098	1.3	154,594	1.3	149,198	1.3	68,487	1.3	69,301	1.3
Franchising services	17,952	0.2	14,795	0.1	9,871	0.1	5,715	0.1	4,194	0.1
Sub-total	**176,050**	**1.5**	**169,389**	**1.4**	**159,069**	**1.4**	**74,202**	**1.4**	**73,495**	**1.4**
Others[(2)]	107,987	0.9	127,750	1.1	145,915	1.3	62,934	1.2	70,389	1.4
Total	**11,744,089**	**100.0**	**11,787,796**	**100.0**	**11,343,644**	**100.0**	**5,202,302**	**100.0**	**5,095,356**	**100.0**

Notes:

(1) Non-franchisee customers include food wholesalers, supermarkets, restaurants and other corporate customers.

(2) Others primarily include (i) premium service fees and delivery charges in respect of instant delivery services operated through Qdama Mini Programs, App and other third-party food delivery platforms, and (ii) service fees from providing operational support to franchisees to ensure consistency of store operations, including design and decoration services and the sales of store equipment to franchisees.

During the Track Record Period, product sales contributed to the vast majority of our revenue. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, revenue from product sales amounted to RMB11,460.1 million, RMB11,490.7 million, RMB11,038.7 million, RMB5,065.2 million and RMB4,951.5 million, respectively, representing 97.6%, 97.5%, 97.3%, 97.4% and 97.2% of our revenue for the same periods.

As we adopt a franchise model, we charge franchise fees and sales-based royalty fees to franchisees. The franchise service fee is fixed and charged upfront for each newly opened franchise store, which is recognized over the term of the relevant franchise agreement, which typically ranges from three to five years. The sales-based royalty fees were based on a certain percentage of daily sales transactions completed. The sales-based royalty fees were driven by the increase in number of stores across our store network and their sales. We typically charge sales-based royalty fees to our franchisees starting from six months after a store opening.

Revenue by Geographic Region

Leveraging an established presence in Guangdong Province as our benchmark, we strategically expanding coverage to other regions in Chinese Mainland such as Eastern China, Central China and Southwestern China, to replicate our success. We have also expanded our business footprints into Hong Kong and Macau. The following table sets forth a breakdown of our revenue by geographic region in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)						(unaudited)			
Guangdong Province	7,934,323	67.5	7,957,374	67.5	7,424,674	65.5	3,436,185	66.1	3,223,489	63.3
Other regions in Chinese Mainland[(1)]	3,106,322	26.5	2,953,977	25.1	2,983,868	26.3	1,314,345	25.3	1,438,971	28.2
Hong Kong and Macau	703,444	6.0	876,445	7.4	935,102	8.2	451,772	8.7	432,896	8.5
Total	**11,744,089**	**100.0**	**11,787,796**	**100.0**	**11,343,644**	**100.0**	**5,202,302**	**100.0**	**5,095,356**	**100.0**

Note:

(1) Other regions in Chinese Mainland primarily include Changsha, Shanghai, Chengdu, Chongqing, Zhengzhou and Wuhan.

During the Track Record Period, our sales in Guangdong Province contributed the majority of our revenue. Revenue from sales in Guangdong Province remained relatively stable at RMB7,934.3 million in 2023 and RMB7,957.4 million in 2024. The revenue from sales in Guangdong Province subsequently decreased by 6.7% to RMB7,424.7 million in 2025, primarily due to a decrease in sales of pork products and vegetables resulting from a decrease in market prices. The revenue from sales in Guangdong Province further decreased by 6.2% from RMB3,436.2 million in the six months ended June 30, 2025 to RMB3,223.5 million in the six months ended June 30, 2026, primarily due to a decrease in sales of pork products resulting from a decrease in market prices.

The revenue from sales in other regions of Chinese Mainland decreased from RMB3,106.3 million in 2023 to RMB2,954.0 million in 2024, primarily due to the closure of certain loss-making stores, while the number of stores in these regions remained relatively stable. Revenue from sales in other regions in Chinese Mainland remained relatively stable at RMB2,954.0 million in 2024 and RMB2,983.9 million in 2025. Revenue from sales in other regions further increased by 9.5% from RMB1,314.3 million in the six months ended June 30, 2025 to RMB1,439.0 million in the six months ended June 30, 2026, primarily due to an increase in the number of operating stores in these regions from 832 as of June 30, 2025 to 946 as of June 30, 2026, partially offset by the impact of a decrease in the market prices of pork products.

The aggregate number of stores in Hong Kong and Macau increased from 61 as of December 31, 2023 to 67 as of December 31, 2024, further increased to 73 as of December 31, 2025 and 77 as of June 30, 2026, which contributed to an overall increase in revenue throughout the Track Record Period. The revenue from sales in Hong Kong and Macau increased from RMB703.4 million in 2023 to RMB876.4 million in 2024, and further increased to RMB935.1 million in 2025, which remained relatively stable at RMB451.8 million and RMB432.9 million in the six months ended June 30, 2025 and 2026, respectively.

Revenue by Sales Channel

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

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Sales to franchisees[1]	11,091,579	94.5	11,140,421	94.5	10,812,560	95.3	4,940,036	95.0	4,840,342	95.0
Direct sales via self-operated stores	496,336	4.2	505,289	4.3	381,704	3.4	194,677	3.7	183,840	3.6
Others[2]	156,174	1.3	142,086	1.2	149,380	1.3	67,589	1.3	71,174	1.4
Total	**11,744,089**	**100.0**	**11,787,796**	**100.0**	**11,343,644**	**100.0**	**5,202,302**	**100.0**	**5,095,356**	**100.0**

Notes:

(1) Sales to franchisees mainly include (i) product sales to franchise stores, (ii) royalty and franchising service fees, and (iii) service fees from providing operational support to franchisees to ensure consistency of store operations, including design and decoration services and the sales of store equipment to franchisees.

(2) Others mainly include (i) premium service fees and delivery charges in respect of instant delivery services operated through Qdama Mini Programs, App and other third-party food delivery platforms, and (ii) sales to certain non-franchisee customers, including food wholesalers, supermarkets, restaurants and other corporate customers.

During the Track Record Period, the sales to our franchisees contributed to the majority of our revenue. Our franchisees operate franchise stores under our brand and sell our products to consumers. We have established an extensive store network, comprising primarily franchise stores. As of December 31, 2023, 2024, 2025 and June 30, 2026, we had a total of 2,916, 2,922, 2,904 and 3,014 stores, comprising 2,835, 2,863, 2,861 and 2,946 franchise stores, respectively. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, the revenue from sales to franchisees amounted to RMB11,091.6 million, RMB11,140.4 million, RMB10,812.6 million, RMB4,940.0 million and RMB4,840.3 million, respectively, representing 94.5%, 94.5%, 95.3%, 95.0% and 95.0% of our total revenue for the same periods.

We also conduct direct sales to consumers via self-operated stores, which are established strategically to (i) promote our brand, and serve as operational benchmarks in newly established regions, (ii) function as experimental platforms for testing new business ventures, systems, and innovations in a controlled environment, and (iii) act as training hubs for store managers and staff, with successful trainees potentially transitioning to support franchise stores, so enhancing their operational efficiency. In addition, we sell our products to certain non-franchisee customers, including food wholesalers, supermarkets, restaurants and other corporate customers, which allows us to leverage our supply chain capabilities at scale, enhance brand exposure across different consumption scenarios, and optimize overall operational efficiency, while remaining complementary to our franchise-based retail network.

Revenue from Product Sales by Product Type

Our product portfolio covers diverse product types, including primary fresh animal proteins, fresh produce, as well as chilled and prepared foods. The following table sets forth a breakdown of our revenue from product sales by product type in absolute amounts and as percentages of our total revenue from product sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)						(unaudited)			
Primary fresh animal proteins[(1)]	5,501,308	48.0	5,449,952	47.4	5,116,419	46.4	2,357,158	46.5	2,258,183	45.6
Fresh produce[(2)]	4,338,752	37.8	4,386,119	38.2	4,316,592	39.1	1,945,795	38.4	1,961,622	39.6
Chilled and prepared foods	1,475,018	12.9	1,524,945	13.3	1,513,246	13.7	712,456	14.1	695,782	14.1
Others[(3)]	144,974	1.3	129,641	1.1	92,403	0.8	49,757	1.0	35,885	0.7
Total	**11,460,052**	**100.0**	**11,490,657**	**100.0**	**11,038,660**	**100.0**	**5,065,166**	**100.0**	**4,951,472**	**100.0**

Notes:

(1) Primary fresh animal proteins include (i) pork products, (ii) meat, poultry and eggs, and (iii) seafood. Meat, poultry and eggs mainly include beef, poultry and eggs, excluding pork products.

(2) Fresh produce include (i) vegetables, and (ii) fruits.

(3) Others primarily include (i) sales of daily groceries through online sales channels, (ii) sales of packaging materials and consumables to franchisees for their store operations, and (iii) offset of sales discounts.

Revenue from Product Sales by Brand

The following table sets forth a breakdown of our revenue from product sales by brand in absolute amounts and as percentages of our total revenue from product sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)						(unaudited)			
Private label products	16	0.0	52,042	0.5	269,859	2.4	129,850	2.6	401,809	8.1
Non-private label products and others[(1)]	11,460,036	100.0	11,438,615	99.5	10,768,801	97.6	4,935,316	97.4	4,549,663	91.9
Total	**11,460,052**	**100.0**	**11,490,657**	**100.0**	**11,038,660**	**100.0**	**5,065,166**	**100.0**	**4,951,472**	**100.0**

Note:

(1) Non-private label products and others include sales of non-private label products and offset of sales discounts.

Cost of Sales

Our cost of sales consists of (i) costs of inventories sold or consumed, primarily comprising costs of sales of products, costs of sales of equipment to franchises and costs of consumables used, (ii) labor costs, mainly employee benefit expenses and outsourced personnel service fees, (iii) depreciation and amortization, primarily lease expenses of

integrated distribution centers and depreciation of related leasehold improvements, and (iv) others. The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)						(unaudited)			
Costs of inventories sold or consumed	10,248,331	96.7	10,259,784	96.9	9,799,323	97.3	4,480,994	96.9	4,389,126	97.3
Costs of sales of products	10,205,194	96.3	10,210,893	96.5	9,765,102	96.9	4,464,305	96.6	4,375,107	97.0
Costs of sales of equipment to franchises	18,856	0.2	17,400	0.2	11,470	0.1	4,509	0.1	4,944	0.1
Costs of consumables used	24,281	0.2	31,491	0.3	22,751	0.2	12,180	0.3	9,075	0.2
Labor costs	181,483	1.7	192,990	1.8	171,683	1.7	90,590	2.0	77,028	1.7
Depreciation and amortization	118,516	1.1	85,243	0.8	64,434	0.6	33,903	0.7	23,739	0.5
Others[(1)]	47,296	0.5	47,909	0.5	40,138	0.4	16,720	0.4	21,440	0.5
Total	**10,595,626**	**100.0**	**10,585,926**	**100.0**	**10,075,578**	**100.0**	**4,622,207**	**100.0**	**4,511,333**	**100.0**

Note:
(1) Others primarily include utilities expenses and expenses relating to short-term leases and property management fees.

Our cost structure remained relatively stable during the Track Record Period. Costs of inventories sold or consumed represented the largest component of our cost of sales, accounting for 96.7%, 96.9%, 97.3%, 96.9% and 97.3% of our total cost of sales in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, which mainly constitute primary fresh animal proteins and fresh produce. In particular, costs of sales of products accounted for 96.3%, 96.5%, 96.9%, 96.6% and 97.0% of our total cost of sales during the respective periods, reflecting the fact that product sales constituted the substantial majority of our revenue. The remaining components primarily comprised labor costs, depreciation and amortization and others.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB1,148.5 million in 2023 to RMB1,201.9 million in 2024, further increased to RMB1,268.1 million in 2025. Our gross profit remained relatively stable at RMB580.1 million and RMB584.0 million in the six months ended June 30, 2025 and 2026, respectively. Our gross profit margin increased from 9.8% in 2023 to 10.2% in 2024, further increased to 11.2% in 2025, and also increased from 11.2% in the six months ended June 30, 2025 to 11.5% in the six months ended June 30, 2026.

Gross Profit and Gross Profit Margin by Business Segment

The following table sets forth our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)						(unaudited)			
Product sales	896,399	7.8	935,992	8.1	984,862	8.9	451,799	8.9	450,617	9.1
Royalty and franchising services[(1)]	176,050	100.0	169,389	100.0	159,069	100.0	74,202	100.0	73,495	100.0
Others	76,014	70.4	96,489	75.5	124,135	85.1	54,094	86.0	59,911	85.1
Total	**1,148,463**	**9.8**	**1,201,870**	**10.2**	**1,268,066**	**11.2**	**580,095**	**11.2**	**584,023**	**11.5**

Note:
(1) The gross profit margin for royalty and franchising services is 100%, primarily because we do not incur significant direct costs in connection with its franchise management and support functions; the related indirect costs, such as training, marketing assistance, operational support, and contract administration, are insignificant and recorded as selling and marketing expenses.

Our gross profit margin increased throughout the Track Record Period, primarily driven by an improvement in the gross profit margin of product sales, benefiting from economies of scale, changes in product mix and cost-saving initiatives. See "— Period-To-Period Comparison of Results of Operations."

Gross Profit and Gross Profit Margin by Geographic Region

The following table sets forth our gross profit and gross profit margin by geographic region for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Guangdong Province	905,850	11.4	910,942	11.5	918,692	12.4	420,670	12.2	425,288	13.2
Other regions in Chinese Mainland	127,783	4.1	139,807	4.7	177,795	6.0	74,713	5.7	76,960	5.3
Hong Kong and Macau	114,830	16.3	151,121	17.2	171,579	18.4	84,712	18.8	81,775	18.9
Total	**1,148,463**	**9.8**	**1,201,870**	**10.2**	**1,268,066**	**11.2**	**580,095**	**11.2**	**584,023**	**11.5**

Our overall gross profit margins are primarily driven by product sales in Guangdong Province, which is mainly attributable to our established presence in Guangdong Province. As of December 31, 2023, 2024, 2025 and June 30, 2026, we had 2,017, 2,029, 1,970 and 1,991 stores in Guangdong Province, representing 69.2%, 69.4%, 67.8% and 66.1% of our total number of stores, respectively. Our gross profit margins for sales in Guangdong Province remained relatively stable at 11.4%, 11.5% and 12.4% in 2023, 2024 and 2025, respectively. Our gross profit margins for sales in Guangdong Province further increased from 12.2% in the six months ended June 30, 2025 to 13.2% in the six months ended June 30, 2026, primarily due to changes in product mix, as reflected in the increased sales contribution from private label products, which generally carried relatively higher gross profit margins.

Our gross profit margin for sales in other regions in Chinese Mainland increased from 4.1% in 2023 to 4.7% in 2024, and further increased to 6.0% in 2025, mainly attributable to the increasingly mature operations in these regions and the increase in store density, which enhanced economies of scale. Our gross profit margins for sales in other regions decreased from 5.7% in the six months ended June 30, 2025 to 5.3% in the six months ended June 30, 2026, primarily due to decreases in the prices at which we supplied vegetables and meat, poultry and eggs to franchisees in response to decreases in the market prices of such products so as to maintain the price competitiveness of franchise stores.

Our gross profit margin for sales in the Hong Kong and Macau markets increased from 16.3% in 2023 to 17.2% in 2024, and further increased to 18.4% in 2025, primarily due to an increase in the number of self-operated stores. Our gross profit margins for sales in Hong Kong and Macau markets remained relatively stable at 18.8% and 18.9% in the six months ended June 30, 2025 and 2026, respectively. Sales in the Hong Kong and Macau markets generally achieved higher margins, primarily due to higher market prices of products compared to sales in Chinese Mainland.

Selling and Marketing Expenses

Our selling and marketing expenses consist of (i) logistics expenses, (ii) labor costs, (iii) third-party food delivery platform expenses, (iv) advertising and promotion expenses, (v) depreciation and amortization, mainly related to our leased self-operated stores and related leasehold improvements, and (vi) others. Our logistics expenses mainly represent expenses incurred for transportation and delivery services provided by third parties and delivery service fees charged by third-party food delivery platforms. The logistics expenses amounted to RMB312.8 million, RMB292.1 million, RMB278.0 million, RMB132.2 million and RMB133.6 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, accounting for 2.7%, 2.5%, 2.5%, 2.5% and 2.6% of our revenue for the same periods. Our labor costs mainly represent wages, salaries, social insurance, housing provident funds and various other employee benefits paid to our personnel and outsourced personnel involved in selling and marketing activities.

Our selling and marketing expenses amounted to RMB605.7 million, RMB607.3 million, RMB569.3 million, RMB276.8 million and RMB286.8 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, which represent 5.2%, 5.2%, 5.0%, 5.3% and 5.6% of our revenue for the same periods. The following table sets forth a breakdown of our selling and marketing expenses in absolute amounts and as percentages of total selling and marketing expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Logistics expenses	312,780	51.6	292,141	48.1	278,020	48.8	132,231	47.8	133,636	46.6
Labor costs	176,021	29.1	194,182	32.0	177,455	31.2	91,615	33.1	89,346	31.1
Third-party food delivery platform expenses	25,933	4.3	37,137	6.1	48,545	8.5	20,391	7.4	22,938	8.0
Advertising and promotion expenses	24,650	4.1	20,209	3.3	16,756	2.9	7,387	2.7	11,401	4.0
Depreciation and amortization	36,766	6.0	33,354	5.5	25,317	4.5	13,259	4.8	12,492	4.4
Others[(1)]	29,592	4.9	30,325	5.0	23,182	4.1	11,871	4.3	17,025	5.9
Total	**605,742**	**100.0**	**607,348**	**100.0**	**569,275**	**100.0**	**276,754**	**100.0**	**286,838**	**100.0**

Note:
(1) Others mainly include utility expenses, rental expenses for employee dormitories and related expenses.

Administrative Expenses

Our administrative expenses consist of (i) labor costs, (ii) office expenses, (iii) depreciation and amortization, (iv) travel and hospitality expenses, (v) professional service fees, (vi) [**REDACTED**], and (vii) others. Our labor costs mainly represent share-based payments to employees, wages, salaries, social insurance, housing provident funds and various other employee benefits paid to our staff involved in administrative activities. Our professional service fees mainly include fees incurred for tax, legal, audit and market research services.

Our administrative expenses amounted to RMB414.1 million, RMB432.7 million, RMB371.1 million, RMB176.3 million and RMB193.4 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, which represent 3.5%, 3.7%, 3.3%, 3.4% and 3.8% of our revenue for the same periods. The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of total administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Labor costs	299,096	72.2	321,433	74.2	271,457	73.2	136,955	77.7	144,543	74.8
Office expenses	28,239	6.8	25,565	5.9	22,019	5.9	10,171	5.8	10,161	5.3
Depreciation and amortization	25,280	6.1	21,032	4.9	15,666	4.2	8,479	4.8	7,143	3.7
Travel and hospitality expenses	19,583	4.7	13,636	3.2	10,940	2.9	5,306	3.0	5,155	2.7
Professional service fees	15,607	3.8	10,480	2.4	10,393	2.8	5,652	3.2	4,124	2.1
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others[(1)]	23,201	5.6	23,663	5.5	24,904	6.7	9,706	5.5	14,447	7.5
Total	**414,092**	**100.0**	**432,738**	**100.0**	**371,051**	**100.0**	**176,269**	**100.0**	**193,350**	**100.0**

Note:
(1) Others mainly includes taxation, expenses relating to short-term leases, and utilities expenses.

Research and Development Expenses

Our research and development expenses consist of employee benefit expenses, which amounted to RMB19.5 million, RMB16.4 million, RMB11.3 million, RMB6.3 million and RMB5.3 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026. The employee benefit expenses mainly represent wages, salaries and other employee benefits paid to our IT team. Our IT team developed certain IT systems, such as TMS system and WMS system.

(Provision for)/Reversal of Impairment Loss on Financial Assets

Provision for or reversal of impairment loss on financial assets primarily relates to trade receivables and other receivables. We incurred provision for impairment on financial assets of RMB0.5 million, RMB0.7 million and RMB0.3 million in 2023, 2025 and the six months ended June 30, 2026, respectively, while recorded reversal of impairment loss on financial assets of RMB0.6 million and RMB0.4 million in 2024 and the six months ended June 30, 2025, respectively. The following table sets forth a breakdown of our provision for or reversal of impairment on financial assets for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(unaudited)	
Trade receivables	(393)	629	(65)	(137)	(99)
Other receivables	(135)	(74)	(593)	513	(230)
Total	**(528)**	**555**	**(658)**	**376**	**(329)**

We performed impairment assessment for receivables under the expected credit loss model. See Note 3.1.2 to the Accountant's Report in Appendix I in this document.

Other Income

Our other income consists of (i) miscellaneous income from franchisees, (ii) government grants, (iii) interest income on loans to a related party, and (iv) interest income on loans to a third party. The following table sets forth a breakdown of our other income in absolute amounts and as percentages of total other income for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Miscellaneous income[1]	8,943	43.3	13,038	69.6	11,206	84.8	5,712	85.1	3,839	81.0
Government grants[2]	5,562	27.0	3,140	16.7	1,888	14.3	961	14.3	819	17.3
Interest income on loans to a related party	6,126	29.7	2,575	13.7	–	–	–	–	–	–
Interest income on loans to a third party[3]	–	–	5	0.0	122	0.9	39	0.6	84	1.7
Total	**20,631**	**100.0**	**18,758**	**100.0**	**13,216**	**100.0**	**6,712**	**100.0**	**4,742**	**100.0**

Notes:

(1) Miscellaneous income from franchisees primarily represented payments collected from franchisees due to their non-compliance with franchise agreements.

(2) Government grants mainly represented subsidies obtained from local governments upon fulfilling certain conditions or for engaging in specific industry. There are no unfulfilled conditions or other contingencies attached to these grants.

(3) Interest income on loans to a third party mainly represented interest income from loans provided to a third party for the joint development of an integrated distribution center in Guangzhou.

Other Losses, Net

Our net other losses consist of (i) net exchange (losses)/gains, (ii) net losses on disposal of property, plant and equipment, (iii) net (losses)/gains from early termination and modification of lease agreements, (iv) fair value gains on derivative financial instruments, (v) losses on written-off of input VAT, and (vi) others. The following table sets forth a breakdown of our net other losses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(unaudited)	
Net exchange (losses)/gains	(3,444)	3,555	(8,677)	(1,117)	(15,546)
Net losses on disposal of property, plant and equipment [(1)]	(157)	(8,793)	(6,590)	(5,152)	(37)
Net (losses)/gains from early termination and modification of lease agreements [(2)]	(1,952)	4,865	(4,752)	(4,291)	35
Fair value gains on derivative financial instruments[(3)]	–	–	–	–	1,718
Losses on write-off of input VAT [(4)]	(3,290)	(12,729)	(15,136)	(2,517)	–
Others[(5)]	8,555	3,968	2,418	1,092	1,286
Total	**(288)**	**(9,134)**	**(32,737)**	**(11,985)**	**(12,544)**

Notes:

(1) Net losses on disposal of property, plant and equipment primarily relate to the disposal of our underperforming stores and the integration of our warehousing resources. During the process of integrating our warehousing resources, certain lease terminations resulted in one-off losses related to leasehold improvements.

(2) Net losses or gains from early termination and modification of lease agreements arise from the closure of certain warehousing facilities as part of our effort to enhance operational efficiency. Losses primarily relate to penalties incurred for early termination, including nonrefundable deposits. Gains mainly reflect the reversal of lease liabilities corresponding to the original remaining lease period following early termination.

(3) We recorded fair value gains on derivative financial instruments of RMB1.7 million in the six months ended June 30, 2026, primarily because we entered into foreign exchange swap arrangements during the period to improve the utilization of our surplus foreign currency funds and mitigate our exposure to foreign exchange risk.

(4) Losses on the write-off of input VAT primarily resulted from 22 subsidiaries becoming dormant, 21 of which had completed deregistration as of June 30, 2026. These subsidiaries were initially established to undertake regional store operations or supply chain management functions. Their transition to dormancy was primarily attributable to our organizational restructuring and initiatives to enhance operational efficiency, including the integration of regional store and supply chain management functions and the discontinuation of operations in certain loss-making regions. As certain dormant subsidiaries have not yet completed the deregistration process, we may continue to incur losses on the write-off of input VAT in future periods; however, such losses are not expected to be material.

(5) Others mainly include write-off of aged payables.

Finance Costs, Net

Our finance income consists of (i) interest income from bank deposits, and (ii) unwinding of discount from rental deposits. Our finance costs consist of the (i) interest expenses on lease liabilities (ii) interest expenses on bank borrowings, and (iii) unwinding of discount on deposits from franchisees. The following table sets forth a breakdown of our net finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(unaudited)	
Finance income					
Interest income from bank deposits	9,948	13,811	18,085	8,786	6,277
Unwinding of discount from rental deposits[(1)]	1,281	1,126	684	391	302
Sub-total	**11,229**	**14,937**	**18,769**	**9,177**	**6,579**
Finance costs					
Interest expenses on lease liabilities	(15,463)	(6,816)	(9,011)	(4,991)	(3,591)
Interest expenses on bank borrowings	(10,341)	(10,043)	(14,561)	(7,458)	(6,748)
Unwinding of discount on deposits from franchisees [(2)]	(4,226)	(4,604)	(3,832)	(2,135)	(2,017)
Sub-total	**(30,030)**	**(21,463)**	**(27,404)**	**(14,584)**	**(12,356)**
Finance costs, net	**(18,801)**	**(6,526)**	**(8,635)**	**(5,407)**	**(5,777)**

Notes:

(1) Unwinding of discount on rental deposits represents the finance income recognized over the lease term. It arises from amortizing the discount applied to long-term rental deposits (for leases exceeding one year) related to offices and integrated distribution centers. These deposits are initially measured at their present value. The unwinding process recognizes the initially unrealized financing income as the deposit's repayment date approaches.

(2) Unwinding of discount on deposits from franchisees refers to the finance costs recognized over the deposit period from the amortization of the discount applied to refundable deposits received from franchisees. These deposits are initially recorded at present value, and the unwinding reflects the accretion of the liability towards its ultimate settlement value.

Fair Value Gains/(Losses) on CRPS

We recorded fair value gains on CRPS of RMB73.4 million, RMB163.8 million, RMB419.1 million and RMB85.0 million in 2023, 2024, 2025 and the six months ended June 30, 2025, respectively, and recorded fair value losses on CRPS of RMB2.0 million in the six months ended June 30, 2026, mainly reflecting fluctuations in our valuation.

The CRPS we issued to Pre-[**REDACTED**] investors will be re-classified from liabilities to equity as a result of automatic conversion into Ordinary Shares upon [**REDACTED**].

Share-based Payment Expenses for Modification of CRPS

During each period of the Track Record Period, we only recorded share-based payment expenses for modification of CRPS in 2025, amounting to RMB954.6 million. On September 8, 2025, we issued 618,917,203 new Ordinary Shares to our Shareholders, including our Pre-[**REDACTED**] Investors, pursuant to the supplemented shareholders' agreement on the same date. The related modification was accounted for in accordance with HKFRS 2 Share-based Payment standard, amounting to RMB954,563,000. See Notes 24, 26 and 27 to the Accountant's Report in Appendix I to this document.

Income Tax Expenses

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our income tax expenses amounted to RMB15.0 million, RMB24.5 million, RMB30.7 million, RMB19.4 million and RMB14.6 million, respectively. We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which members of our Group are domiciled and in which they operate. See Note 14 to the Accountant's Report in Appendix I in this document.

Cayman Islands

The Cayman Islands currently levy no taxes on corporations based upon profits, income, gains, or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for certain stamp duties that may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits of our Group's entities incorporated in Hong Kong for each year during the Track Record Period. The provision for Hong Kong profits tax in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026 are calculated in accordance with the two-tier profits tax rates regime. Under the two-tier profits tax rates regime, the first HK$2.0 million of profits of a qualifying corporation are taxed at 8.25%, and profits above HK$2.0 million are taxed at 16.5%. The profits of a corporation not qualifying for the two-tier profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

PRC

CIT provision was made on the estimated assessable profits of entities within our Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate was 25% during the Track Record Period.

Macau

Macau profits tax has been provided for at the rate of 12% on the estimated assessable profits of our entities incorporated in Macau for each period of the Track Record Period.

As of the Latest Practicable Date, we did not have any dispute with any tax authority.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months ended June 30, 2026 Compared with Six Months ended June 30, 2025

Revenue

Our total revenue decreased by 2.1% from RMB5,202.3 million in the six months ended June 30, 2025 to RMB5,095.4 million in the six months ended June 30, 2026. In particular:

- our revenue from product sales decreased by 2.2% from RMB5,065.2 million in the six months ended June 30, 2025 to RMB4,951.5 million in the six months

ended June 30, 2026, primarily due to a decrease in sales of pork products, which was mainly attributable to a decline in the prices of our pork products in line with overall market price trends, partially offset by an increase in overall product sales driven by expansion of our store network;

- our revenue from royalty and franchising services remained relatively stable at RMB74.2 million and RMB73.5 million in the six months ended June 30, 2025 and 2026, respectively; and

- our revenue from others increased by 11.8% from RMB62.9 million in the six months ended June 30, 2025 to RMB70.4 million in the six months ended June 30, 2026, primarily due to the growth of our online sales channels offering instant delivery services, benefiting from the strategic traffic expansion and enhanced marketing efforts by third-party food delivery platforms.

Cost of Sales

Our cost of sales decreased by 2.4% from RMB4,622.2 million in the six months ended June 30, 2025 to RMB4,511.3 million in the six months ended June 30, 2026, generally in line with the revenue trend.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit remained relatively stable at RMB580.1 million and RMB584.0 million in the six months ended June 30, 2025 and 2026, respectively. Our gross profit margin increased from 11.2% in the six months ended June 30, 2025 to 11.5% in the six months ended June 30, 2026. In particular:

- our gross profit margin of product sales increased from 8.9% in the six months ended June 30, 2025 to 9.1% in the six months ended June 30, 2026, primarily due to (i) an increase in gross margin in Guangdong Province, benefiting from changes in product mix, as reflected in the increased sales contribution from private label products, which generally carried relatively higher gross profit margins, and (ii) cost-saving initiatives, including adjustments to the layout of our supply chain infrastructure, which reduced rental and labor costs;

- our gross profit margin of royalty and franchising services remained at 100.0% in the six months ended June 30, 2025 and 2026; and

- our gross profit margin of others remained relatively stable at 86.0% and 85.1% in the six months ended June 30, 2025 and 2026, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 3.6% from RMB276.8 million in the six months ended June 30, 2025 to RMB286.8 million in the six months ended June 30, 2026, primarily due to an increase in advertising and promotion expenses mainly resulting from increased promotion activities related to our instant delivery services and brand-building initiatives.

Administrative Expenses

Our administrative expenses increased by 9.7% from RMB176.3 million in the six months ended June 30, 2025 to RMB193.4 million in the six months ended June 30, 2026, primarily due to (i) an increase in share-based payments to employees, and (ii) [**REDACTED**] incurred in the six months ended June 30, 2026.

Research and Development Expenses

Our research and development expenses decreased by 15.5% from RMB6.3 million in the six months ended June 30, 2025 to RMB5.3 million in the six months ended June 30, 2026, primarily reflecting the completion of certain R&D projects.

(Provision for)/Reversal of Impairment Loss on Financial Assets

We recorded reversal of impairment loss on financial assets of RMB0.4 million in the six months ended June 30, 2025 and provision for impairment loss on financial assets of RMB0.3 million in the six months ended June 30, 2026.

Other Income

Our other income decreased by 29.4% from RMB6.7 million in the six months ended June 30, 2025 to RMB4.7 million in the six months ended June 30, 2026, primarily due to a decrease in miscellaneous income from franchisees as a result of improved store operational compliance among our franchisees.

Other Losses, Net

Our net other losses remained relatively stable at RMB12.0 million and RMB12.5 million in the six months ended June 30, 2025 and 2026, respectively, primarily reflecting an increase in net exchange losses resulting from Renminbi appreciation in respect of (i) Renminbi-denominated procurement payables of our Hong Kong and Macau subsidiaries and (ii) our foreign currency deposits, partially offset by decreases in net losses arising from (i) disposals of property, plant and equipment, as no significant disposals were made in the six months ended June 30, 2026, and (ii) the early termination and modification of lease agreements.

Finance Costs, Net

Our net finance costs increased by 6.8% from RMB5.4 million in the six months ended June 30, 2025 to RMB5.8 million in the six months ended June 30, 2026, primarily due to a decrease in interest income from bank deposits.

Fair Value Gains/(Losses) on CRPS

We recorded fair value gains on CRPS of RMB85.0 million in the six months ended June 30, 2025 and fair value losses on CRPS of RMB2.0 million in the six months ended June 30, 2026, reflecting fluctuations in our valuation.

Income Tax Expenses

We recorded income tax expenses of RMB19.4 million and RMB14.6 million in the six months ended June 30, 2025 and 2026, respectively.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 61.3% from RMB176.1 million in the six months ended June 30, 2025 to RMB68.1 million in the six months ended June 30, 2026.

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

Revenue

Our total revenue decreased by 3.8% from RMB11,787.8 million in 2024 to RMB11,343.6 million in 2025. In particular:

- our revenue from product sales decreased by 3.9% from RMB11,490.7 million in 2024 to RMB11,038.7 million in 2025, primarily due to a decrease in sales of pork products and meat, poultry and eggs, which was mainly attributable to a decline in the prices of our pork and egg products in line with overall market price trends;

- our revenue from royalty and franchising services decreased by 6.1% from RMB169.4 million in 2024 to RMB159.1 million in 2025, primarily due to (i) a decrease in franchise fees, mainly because many franchise fees from stores opened in previous years were fully amortized in 2024, and (ii) a decrease in sales-based royalty fees resulting from a decrease in sales to franchisees; and

- our revenue from others increased by 14.2% from RMB127.8 million in 2024 to RMB145.9 million in 2025, primarily due to the growth of our online sales channels offering with instant delivery services, benefiting from the strategic traffic expansion and enhanced marketing efforts by third-party food delivery platforms.

Cost of Sales

Our cost of sales decreased by 4.8% from RMB10,585.9 million in 2024 to RMB10,075.6 million in 2025, generally in line with the revenue trend.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 5.5% from RMB1,201.9 million in 2024 to RMB1,268.1 million in 2025. Our gross profit margin increased from 10.2% in 2024 to 11.2% in 2025. In particular;

- our gross profit margin of product sales increased from 8.1% in 2024 to 8.9% in 2025, primarily due to (i) an increase in gross margin in other regions in Chinese Mainland, benefiting from the increasingly mature of store operations in these regions and the increase in store density, which enhanced economies of scale, (ii) changes in product mix, as sales contributions from products with relatively higher gross margins increased, and (iii) cost-saving initiatives, including (a) adjustments to the layout of our supply chain infrastructure, which reduced rental and labor costs, and (b) strengthened energy management, resulting in lower utility costs;

- our gross profit margin of royalty and franchising services remained at 100.0% in 2024 and 100.0% in 2025; and

- our gross profit margin of others increased from 75.5% in 2024 to 85.1% in 2025, primarily due to the growth of our online sales channels offering with instant delivery services, which are of higher gross margin by nature.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 6.3% from RMB607.3 million in 2024 to RMB569.3 million in 2025, primarily due to a decrease in logistics expenses resulting from a decrease in product sales and our continued efforts to improve operational efficiency, including optimizing the intelligent route planning system and introducing vehicles with larger load capacities, and (ii) a decrease in labor costs as a result of a decrease in the number

of selling and marketing personnel following organization streamlining to enhance operational efficiency, and the closure or conversion of certain self-operated stores into franchise stores.

Administrative Expenses

Our administrative expenses decreased by 14.3% from RMB432.7 million in 2024 to RMB371.1 million in 2025, primarily due to a decrease in labor costs resulting from decreased share-based payments to employees.

Research and Development Expenses

Our research and development expenses decreased by 31.1% from RMB16.4 million in 2024 to RMB11.3 million in 2025, primarily reflecting the completion of certain R&D projects.

(Provision for) /Reversal of Impairment Loss on Financial Assets

We recorded reversal of impairment loss on financial assets of RMB0.6 million in 2024 and provision for impairment loss on financial assets of RMB0.7 million in 2025.

Other Income

Our other income decreased from RMB18.8 million in 2024 to RMB13.2 million in 2025, primarily due to (i) a decrease in government grants, as the majority of our government grants in previous period were non-recurring in nature, and (ii) no interest income on loans to a related party was recorded in the latter period, as such loans had been settled by July 2024.

Other Losses, Net

Our net other losses increased from RMB9.1 million in 2024 to RMB32.7 million in 2025, primarily due to (i) net exchange losses of RMB8.7 million resulting from Renminbi appreciation on Renminbi-denominated procurement payables of our Hong Kong and Macau subsidiaries, and (ii) net losses of RMB4.8 million from early termination and modification of lease agreements, mainly in relation to the closure of our warehousing facilities in Xi'an and Dongguan. As part of our effort to enhance operational efficiency, we relocated and upgraded these facilities.

Finance Costs, Net

Our net finance costs increased from RMB6.5 million in 2024 to RMB8.6 million in 2025, primarily due to an increase in interest expenses on bank borrowings and lease liabilities, partially offset by an increase from interest income from bank deposits.

Fair Value Gains on CRPS

We recorded fair value gains on CRPS of RMB163.8 million in 2024 and RMB419.1 million in 2025, reflecting fluctuations in our valuation.

Share-based Payment Expenses for Modification of CRPS

We recorded share-based payment expenses for modification of CRPS of RMB954.6 million in 2025, primarily due to the impact of new Ordinary Shares we issued to our Shareholders, including our Pre-[**REDACTED**] Investors, pursuant to the supplemented shareholders' agreement dated September 8, 2025. See Notes 24, 26 and 27 in the Accountant's Report in Appendix I to this document.

Income Tax Expenses

We recorded income tax expenses of RMB24.5 million in 2024 and RMB30.7 million in 2025.

Profit for the Year

As a result of the foregoing, our profit for the year changed from RMB288.4 million in 2024 to loss of RMB278.6 million in 2025.

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

Revenue

Our total revenue remained relatively stable at RMB11,744.1 million in 2023 and RMB11,787.8 million in 2024. In particular:

- our revenue from product sales remained relatively stable at RMB11,460.1 million in 2023 and RMB11,490.7 million in 2024;
- our revenue from royalty and franchising services remained relatively stable at RMB176.1 million in 2023 and RMB169.4 million in 2024; and
- our revenue from others increased by 18.3% from RMB108.0 million in 2023 to RMB127.8 million in 2024, primarily driven by the growth of our online sales channels offering with instant delivery services, which was one of our key promotional initiatives in 2024.

Cost of Sales

Our cost of sales remained relatively stable at RMB10,595.6 million in 2023 and RMB10,585.9 million in 2024, generally in line with the revenue trend.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased from RMB1,148.5 million in 2023 to RMB1,201.9 million in 2024. Our gross profit margin increased from 9.8% in 2023 to 10.2% in 2024. In particular;

- our gross profit margin of product sales increased from 7.8% in 2023 to 8.1% in 2024, primarily due to (i) an increase in gross margin in other regions in Chinese Mainland, benefiting from the increasingly mature of store operations in these regions and the increase in store density, which enhanced economies of scale, (ii) changes in product mix, as sales contributions from products with relatively higher gross margins increased, and (iii) cost-saving initiatives, including adjustments to the layout of our supply chain infrastructure, which reduced rental costs;
- our gross profit margin of royalty and franchising services remained at 100.0% in 2023 and 100.0% in 2024; and
- our gross profit margin of others increased from 70.4% in 2023 to 75.5% in 2024, primary driven by the growth of our online sales channels offering with instant delivery services, which are of higher gross margin by nature.

Selling and Marketing Expenses

Our selling and marketing expenses remained relatively stable at RMB605.7 million in 2023 and RMB607.3 million in 2024, primarily due to the combined effect of (i) an increase in labor costs, mainly driven by an increase in the number of personnel managing sales and performance of stores at regional level, (ii) an increase in third-party food delivery platform expenses resulting from the growth of our online sales channels offering with instant delivery services, and (iii) a decrease in logistics expenses, mainly driven by adjustments in freight pricing, intelligent route optimization and distribution center integration, which collectively improved transportation efficiency.

Administrative Expenses

Our administrative expenses increased from RMB414.1 million in 2023 to RMB432.7 million in 2024, primarily due to (i) an increase in labor costs resulting from increased share-based payments to employees, and (ii) an increase in [**REDACTED**], partially offset by a decrease in travel and hospitality expenses as a result of strengthened management of travel activities to improve efficiency.

Research and Development Expenses

Our research and development expenses decreased by 15.9% from RMB19.5 million in 2023 to RMB16.4 million in 2024, primarily reflecting the completion of certain R&D projects.

(Provision for) /Reversal of Impairment Loss on Financial Assets

We recorded provision for impairment loss on financial assets of RMB0.5 million in 2023 and reversal of impairment loss on financial assets by RMB0.6 million in 2024.

Other Income

Our other income decreased by 9.1% from RMB20.6 million in 2023 to RMB18.8 million in 2024, primarily due to a decrease in interest income on loans to a related party which had been settled by July 2024, partially offset by an increase in miscellaneous income from franchisees, mainly comprising default penalties, as we strengthened our franchisee management efforts.

Other Losses, Net

Our net other losses increased from RMB0.3 million in 2023 to RMB9.1 million in 2024, primarily due to (i) an increase in losses on write-off of input VAT arising from certain subsidiaries becoming dormant, and (ii) an increase in net losses on the disposal of property, plant and equipment as a result of the closure of our warehousing facilities in Changsha and Shanghai in 2024 as we relocated and upgraded these facilities as part of our effort to enhance operational efficiency, partially offset by net exchange gains of RMB3.6 million driven by fluctuations in the exchange rate mainly between Hong Kong dollars and Renminbi.

Finance Costs, Net

Our net finance costs decreased by 65.3% from RMB18.8 million in 2023 to RMB6.5 million in 2024, primarily due to a decrease in interest expenses on lease liabilities, which was mainly attributable to the early termination of lease agreements for certain warehousing facilities as part of our effort to enhance operational efficiency.

Fair Value Gains on CRPS

We recorded fair value gains on CRPS of RMB73.4 million in 2023 and RMB163.8 million in 2024, reflecting fluctuations in our valuation.

Income Tax Expenses

We recorded income tax expenses of RMB15.0 million in 2023 and RMB24.5 million in 2024.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB168.6 million in 2023 to RMB288.4 million in 2024.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our summary of the consolidated statements of financial position as of the dates indicated, which has been extracted from our consolidated financial statements included in the Accountant's Report in Appendix I in this document:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Total current assets	1,282,622	1,284,917	1,608,259	1,613,782
Total non-current assets	363,153	267,983	308,898	322,923
Total assets	**1,645,775**	**1,552,900**	**1,917,157**	**1,936,705**
Total current liabilities	4,093,627	3,838,327	3,349,050	2,943,875
Total non-current liabilities	237,891	165,818	324,146	630,099
Total liabilities	**4,331,518**	**4,004,145**	**3,673,196**	**3,573,974**
Net current liabilities	**(2,811,005)**	**(2,553,410)**	**(1,740,791)**	**(1,330,093)**
Net liabilities	**(2,685,743)**	**(2,451,245)**	**(1,756,039)**	**(1,637,269)**

Our net liabilities decreased from RMB2,685.7 million as of December 31, 2023 to RMB2,451.2 million as of December 31, 2024, primarily due to profit for the year of RMB288.4 million, partially offset by repurchases of Ordinary Shares of RMB110.0 million. Our net liabilities further decreased from RMB2,451.2 million as of December 31, 2024 to RMB1,756.0 million as of December 31, 2025, primarily due to the issuance of shares of RMB954.6 million, partially offset by loss for the year of RMB278.6 million. Our net liabilities further decreased from RMB1,756.0 million as of December 31, 2025 to RMB1,637.3 million as of June 30, 2026, primarily due to (i) profit for the period of RMB68.1 million, and (ii) fair value gains of CRPS due to own credit risk of RMB27.3 million. The issuance of shares represents new Ordinary Shares we issued to our Shareholders, including Pre-[**REDACTED**] investors, pursuant to the supplemented shareholders' agreement dated September 8, 2025. Our CRPS we issued to Pre-[**REDACTED**] investors will be re-classified from liabilities to equity as a result of automatic conversion into Ordinary Shares upon [**REDACTED**]. Our net liabilities position would turn into net assets upon [**REDACTED**].

Non-Current Assets and Liabilities

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	82,923	43,453	27,548	30,055
Right-of-use assets	200,510	148,731	213,219	230,201
Intangible assets	33,225	30,706	26,481	24,222
Deposits, prepayments and other receivables	29,123	27,679	24,211	24,344
Financial assets at FVOCI	5,000	8,000	8,000	8,000
Deferred income tax assets	12,372	9,414	9,439	6,101
Total non-current assets	**363,153**	**267,983**	**308,898**	**322,923**
Non-current liabilities				
Contract liabilities	20,945	15,179	15,809	16,685
Bank borrowings	–	–	85,000	356,900
Lease liabilities	119,596	76,996	149,938	162,902
Deferred income tax liabilities	792	580	788	2,149
Accruals and other payables	96,558	73,063	72,611	91,463
Total non-current liabilities	**237,891**	**165,818**	**324,146**	**630,099**

Property, Plant and Equipment

Our property, plant and equipment consist of (i) fixtures and equipment, such as transportation and cargo sorting equipment, (ii) leasehold improvements, (iii) furniture and electronic equipment, such as cash registers and electronic scales, and (iv) construction in progress. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Fixtures and equipment	30,295	19,116	19,304	20,517
Leasehold improvements	44,223	19,273	5,845	7,345
Furniture and electronic equipment	8,037	4,065	2,399	2,193
Construction in progress	368	999	–	–
Total	**82,923**	**43,453**	**27,548**	**30,055**

Our property, plant and equipment decreased from RMB82.9 million as of December 31, 2023 to RMB43.5 million as of December 31, 2024, decreased to RMB27.5 million as of December 31, 2025, primarily due to (i) depreciation of fixtures, equipment and leasehold improvements, and (ii) disposals of fixtures and equipment and leasehold improvements resulting from write-offs of renovations and equipment following the closure of certain warehousing facilities. Our property, plant and equipment increased from RMB27.5 million as of December 31, 2025 to RMB30.1 million as of June 30, 2026, primarily due to (i) an increase in leasehold improvements arising from renovation activities at certain offices and new self-operated stores, and (ii) an increase in fixtures and equipment mainly resulting from increased procurement of automated weighing, packaging and cleaning equipment for certain integrated distribution centers.

Right-of-Use Assets

Our right-of-use assets primarily related to leased premises for integrated distribution centers, self-operated stores and offices. Our right-of-use assets decreased from RMB200.5 million as of December 31, 2023 to RMB148.7 million as of December 31, 2024, primarily due to (i) depreciation, and (ii) the termination of certain leased warehousing facilities as part of our effort to enhance operational efficiency, partially offset by new leases for stores and integrated distribution centers. Our right-of-use assets subsequently increased from RMB148.7 million as of December 31, 2024 to RMB213.2 million as of December 31, 2025, primarily due to a new lease of an integrated distribution center in Dongguan. Our right-of-use assets further increased from RMB213.2 million as of December 31, 2025 to RMB230.2 million as of June 30, 2026, primarily due to additional leases entered into for newly opened self-operated stores.

Deposits, Prepayments and Other Receivables, Non-current

Our non-current deposits, prepayments and other receivables include (i) rental deposits, (ii) loans to a third party, (iii) prepayment for purchase of property, plant and equipment and intangible assets, and (iv) other prepayments, representing subsidies to certain franchisees for pre-opening support services. The following table sets forth the breakdown of our non-current deposits, prepayments and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Non-current				
Rental deposits	28,901	22,651	13,600	13,357
Loans to a third party	–	2,505	3,893	3,978
Prepayment for purchase of property, plant and equipment and intangible assets	783	289	1,152	296
Other prepayments	13	2,697	5,800	7,001
Less: allowance for impairment	(574)	(463)	(234)	(288)
Total	**29,123**	**27,679**	**24,211**	**24,344**

Our non-current deposits, prepayments and other receivables decreased from RMB29.1 million as of December 31, 2023 to RMB27.7 million as of December 31, 2024, and further decreased to RMB24.2 million as of December 31, 2025, primarily due to the write-off of rental deposits resulting from the termination of certain leased warehousing facilities as part of our effort to enhance operational efficiency. Our non-current deposits, prepayments and other receivables remained relatively stable at RMB24.2 million and RMB24.3 million as of December 31, 2025 and June 30, 2026, respectively. We recorded loans to a third party of RMB2.5 million, RMB3.9 million and RMB4.0 million as of December 31, 2024, 2025 and June 30, 2026, respectively, primarily due to loans provided to a third party for the joint development of an integrated distribution center in Guangzhou.

Accruals and Other Payables, Non-current

Our non-current accruals and other payables represent deposits related to franchise stores, which are the refundable initial deposit received from franchisees upon entering into franchise agreements. These deposits will be refunded to franchisees at the end of the franchise period, net of any penalties incurred. The classification as non-current reflects that the remaining term of the franchise agreements exceeds one year. Our non-current accruals and other payables amounted to RMB96.6 million, RMB73.1 million, RMB72.6 million and RMB91.5 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively.

Current Assets and Liabilities

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Current assets				
Inventories	33,956	37,338	37,891	37,025
Trade receivables	6,791	2,568	2,771	5,032
Deposit, prepayments and other receivables	240,348	174,147	161,767	166,456
Income tax recoverable	4,996	5,264	5,595	5,157
Derivative financial instruments	–	–	–	1,718
Restricted cash	282,288	290,242	146,939	140,215
Cash and cash equivalents	714,243	775,358	1,253,296	1,258,179
Total current assets	**1,282,622**	**1,284,917**	**1,608,259**	**1,613,782**
Current liabilities				
Trade payables	904,150	750,045	814,431	767,262
Accruals and other payables	386,636	388,832	357,688	319,752
Contract liabilities	18,531	15,033	14,027	17,868
Lease liabilities	95,576	67,493	60,886	60,377
Convertible redeemable preferred shares ("**CRPS**")	2,292,653	2,094,867	1,666,704	1,641,427
Bank borrowings	390,674	519,945	432,316	133,308
Income tax payables	5,407	2,112	2,998	3,881
Total current liabilities	**4,093,627**	**3,838,327**	**3,349,050**	**2,943,875**
Net current liabilities	**(2,811,005)**	**(2,553,410)**	**(1,740,791)**	**(1,330,093)**

Our net current liabilities decreased by 9.2% from RMB2,811.0 million as of December 31, 2023 to RMB2,553.4 million as of December 31, 2024, primarily due to a decrease in CRPS of RMB197.8 million, reflecting the fluctuation in our valuation. Our net current liabilities decreased by 31.8% from RMB2,553.4 million as of December 31, 2024 to RMB1,740.8 million as of December 31, 2025, primarily due to (i) a decrease in CRPS of RMB428.2 million, and (ii) an increase in cash and cash equivalents of RMB477.9 million. Our net current liabilities further decreased from RMB1,740.8 million as of December 31, 2025 to RMB1,330.1 million as of June 30, 2026, primarily due to a decrease in short-term bank borrowings of RMB299.0 million.

To improve our net current liabilities position, we have implemented measures to strengthen our liquidity and working capital management. In particular, we intend to (i) continue to enhance our operating cash flows through improving store performance, optimizing product mix and strengthening operating efficiency; (ii) continue to strengthen working capital management, including maintaining our T+1 settlement arrangement with franchisees, monitoring rolling cash flow forecasts and liquidity requirements, and managing inventory and procurement scale based on operational needs; and (iii) maintain access to bank financing. As of June 30, 2026, we had committed unutilized bank facilities of RMB200.0 million. In addition, our CRPS, which were classified as current liabilities during the Track Record Period, will be automatically converted into Ordinary Shares upon [**REDACTED**] and reclassified from liabilities to equity as a result of automatic conversion into Ordinary Shares upon [**REDACTED**]. Our net current liabilities position would turn into net current assets upon [**REDACTED**].

Inventories

Our inventories primarily consist of (i) products, and (ii) consumables, such as packaging materials. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Products	27,001	32,119	31,218	29,303
Consumables	6,955	5,219	6,673	7,722
Total	**33,956**	**37,338**	**37,891**	**37,025**

As we adopt the D&C Model, we do not maintain slow-moving inventory of products in either the integrated distribution centers or the self-operated stores. The inventory balances as of the dates indicated above mainly reflect stock for sales on the following day, and remained relatively stable at RMB34.0 million, RMB37.3 million, RMB37.9 million and RMB37.0 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively.

We define inventory turnover days as the average of the beginning and ending balances of inventory for the relevant period, divided by the cost of sales for the same period and multiplied by the number of days during such period. The number of days for each year ended December 31 is 365 days and for the six months ended June 30 is 180 days. Our inventory turnover days remained relatively stable at 1.4 days, 1.2 days, 1.4 days and 1.5 days in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, reflecting our efforts in maintaining zero inventory of fresh products.

As of July 31, 2026, RMB37.0 million or 100.0%, of our inventories as of June 30, 2026 had been sold or utilized.

Trade Receivables

Our trade receivables mainly represent amounts due when a franchise store's daily sales proceeds, which are collected by us, are insufficient to cover its purchase costs and related fees payable by franchisees. Under our settlement process, consumer payments at franchise stores are normally remitted to us. At the close of each day, we deduct the store's purchase costs and related fees from these payments. Any surplus after settlement is recorded as other payables to the relevant franchisee, while any shortfall is charged to such franchisee and recorded as trade receivables. The franchisees were required to settle the payment with us on a T+1 basis. Generally, no credit terms were granted to franchisees. As such, our trade receivables are generally low. The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade receivables	8,655	2,960	3,090	5,450
Less: allowance for impairment	(1,864)	(392)	(319)	(418)
Total	**6,791**	**2,568**	**2,771**	**5,032**

Our trade receivables amounted to RMB6.8 million, RMB2.6 million, RMB2.8 million and RMB5.0 million, respectively, as of December 31, 2023, 2024, 2025 and June 30, 2026, mainly reflecting our trade receivables from daily sales to franchisees as of the dates indicated. Our trade receivables increased from RMB2.8 million as of December 31, 2025 to RMB5.0 million as of June 30, 2026, primarily due to an increase in trade receivables from non-franchisee customers as we expanded sales to such customers.

For trade receivables, we apply the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The aging analysis of our trade receivables based on invoice date is as follows:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within one month	6,290	2,644	2,519	4,129
One to three months	671	77	440	1,054
Three to six months	678	–	31	78
Six months to one year	293	10	33	132
Over one year	723	229	67	57
Total	**8,655**	**2,960**	**3,090**	**5,450**

During the Track Record Period, the majority of our trade receivables were outstanding within one month. We define trade receivables turnover days as the average of the opening and closing balances of trade receivables for the relevant period, divided by the total revenue for the same period and multiplied by the number of days during such period. The number of days for each year ended December 31 is 365 days and for the six months ended June 30 is 180 days. Our trade receivables turnover days remained relatively stable at 0.2 days, 0.1 days, 0.1 days and 0.1 days in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively.

As of July 31, 2026, RMB2.9 million or 52.8%, of our trade receivables as of June 30, 2026 had been settled.

Deposits, Prepayments and Other Receivables, Current

Our current deposits, prepayments and other receivables primarily consist of (i) value added tax recoverable, (ii) prepayments to suppliers, (iii) rental deposits, (iv) prepaid expenses, (v) prepaid [**REDACTED**], and (vi) amounts due from a related party. The following table sets forth the breakdown of our current deposits, prepayments and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Value added tax recoverable	138,246	123,235	112,030	117,552
Prepayments to suppliers	3,668	7,013	13,895	3,408
Rental deposits	14,741	18,234	11,197	11,585
Prepaid expenses	11,170	18,376	10,192	15,121
Prepaid [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Amounts due from a related party	69,971	–	–	–
Others	5,234	5,969	9,117	9,191
Less: allowance for impairment	(3,265)	(3,400)	(3,135)	(3,307)
Total	**240,348**	**174,147**	**161,767**	**166,456**

Our current deposits, prepayments and other receivables decreased from RMB240.3 million as of December 31, 2023 to RMB174.1 million as of December 31, 2024, primarily due to the amounts due from a related party of RMB70.0 million incurred as of December 31, 2023, which had been settled in July 2024, partially offset by an increase in prepaid expenses, mainly in relation to the prepaid rental for our new integrated distribution center in Dongguan.

Our current deposits, prepayments and other receivables decreased from RMB174.1 million as of December 31, 2024 to RMB161.8 million as of December 31, 2025, primarily due to a decrease in value added tax recoverable in relation to certain subsidiaries becoming dormant, which resulted in the write-off of input VAT. See "— Consolidated Statements of Comprehensive Income — Other Losses, Net."

Our current deposits, prepayments and other receivables remained relatively stable at RMB161.8 million and RMB166.5 million as of December 31, 2025 and June 30, 2026, respectively.

As of July 31, 2026, RMB60.6 million or 36.4% of our current deposits, prepayments and other receivables as of June 30, 2026 had been settled.

Restricted Cash

During the Track Record Period, our restricted cash represents guaranteed deposits and restricted deposits. Our restricted cash amounted to RMB282.3 million, RMB290.2 million, RMB146.9 million and RMB140.2 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively. See Note 23 in the Accountant's Report in Appendix I to this document.

Trade Payables

During the Track Record Period, our trade payables primarily include payables for inventories. Our trade payables are non interest-bearing and are generally settled between 15 and 45 days.

Our trade payables decreased from RMB904.2 million as of December 31, 2023 to RMB750.0 million as of December 31, 2024, primarily due to shorter credit terms with certain suppliers in exchange for more favorable prices. Our trade payables then increased from RMB750.0 million as of December 31, 2024 to RMB814.4 million as of December 31, 2025 and then decreased to RMB767.3 million as of June 30, 2026, primarily due to an earlier year-end settlement cut-off timing with suppliers in 2025.

The following table sets forth the breakdown of the aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Up to three months	893,396	743,255	805,961	758,199
Three to six months	4,139	3,920	3,958	4,917
Six months to one year	1,732	1,297	2,775	2,499
Over one year	4,883	1,573	1,737	1,647
Total	**904,150**	**750,045**	**814,431**	**767,262**

We define trade payables turnover days as the average of the opening and closing balances of trade payables for the relevant year, divided by the total cost of sales for the same period and multiplied by the number of days during such period. The number of days for each year ended December 31 is 365 days and for six months ended June 30 is 180 days. Our trade payables turnover days decreased from 32.8 days in 2023 to 28.5 days in 2024, primarily because we negotiated shorter credit terms with certain suppliers in exchange for more favorable purchasing prices. Our trade payables turnover days then remained relatively stable at 28.3 days in 2025. Our trade payables turnover days then increased to 31.6 days in the six months ended June 30, 2026, primarily due to seasonality, as higher sales of fruit and primary fresh animal proteins in the second half of 2025 resulted in higher procurement levels and a relatively high opening trade payables balance for the period.

As of July 31, 2026, RMB708.3 million or 92.3% of our trade payables as of June 30, 2026 had been settled.

Accruals and Other Payables, Current

Our current accruals and other payables primarily consist of (i) deposits from suppliers, (ii) employee benefits payables, (iii) deposits from franchisees, (iv) deposits from consumers, representing cash deposits into consumers' membership accounts, which include stored value balances and prepaid cards, (v) net receipt of sale proceeds on behalf of franchisees, (vi) other taxes payables, (vii) logistics expenses payable, (viii) accrued other expenses, and (ix) accrued [**REDACTED**]. The following table sets forth the breakdown of our current accruals and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Deposits from suppliers	87,879	81,862	77,346	74,114
Employee benefits payables	81,960	88,857	71,184	54,339
Deposits from franchisees	20,560	46,156	50,031	31,635
Deposits from consumers	58,154	58,424	48,661	46,871
Net receipt of sale proceeds on behalf of franchisees	30,545	28,420	30,918	29,742
Other taxes payables	30,129	23,197	22,645	30,730
Logistics expenses payables	44,455	24,360	21,857	25,273
Accrued other expenses	24,365	24,646	15,151	14,697
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	5,221	4,839	5,842	8,672
Total	**386,636**	**388,832**	**357,688**	**319,752**

Our current accruals and other payables remained relatively stable at RMB386.6 million as of December 31, 2023 and RMB388.8 million as of December 31, 2024, primarily due to an increase in deposits from franchisees becoming due within one year in line with the terms of our franchise agreements, partially offset by a decrease in logistics expenses payables, resulting from (i) adjustments in freight pricing, intelligent route optimization and distribution center integration, which collectively improved transportation efficiency, and (ii) shortened settlement period to suppliers.

Our current accruals and other payables subsequently decreased from RMB388.8 million as of December 31, 2024 to RMB357.7 million as of December 31, 2025, primarily due to (i) a decrease in receipt on behalf of franchisees for prepaid cards as a result of reduced promotional incentives, and (ii) a decrease in accrued other expenses, as our compensation related to early lease terminations was settled in 2025.

Our current accruals and other payables decreased from RMB357.7 million as of December 31, 2025 to RMB319.8 million as of June 30, 2026, primarily due to decreases in (i) deposits from franchisees, as fewer franchise agreements were due within one year, (ii) employee benefits payable mainly due to the payment of the bonus for the year of 2025 in the six months ended June 30, 2026, and only six months of bonus was accrued as of June 30, 2026, and (iii) accrued [**REDACTED**].

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2026, we had cash and cash equivalents of RMB1,258.2 million. Our cash and cash equivalents primarily consist of cash at banks under RMB, USD, HKD and MOP denominations. We have historically funded our cash requirements principally from [**REDACTED**] from our business operations, capital contributions from shareholders, and bank borrowings. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations, bank borrowings and the net [**REDACTED**] from the [**REDACTED**]. We do not anticipate any material changes to the availability of financing to fund our operations in the future.

Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(unaudited)	
Profit/(loss) before income tax	183,524	312,856	(247,903)	195,423	82,607
After adjustments	320,806	347,080	434,356	180,184	158,254
Changes in working capital	(176,561)	(188,648)	33,034	(6,457)	(65,845)
Income tax paid	(29,046)	(25,286)	(30,038)	(10,227)	(8,618)
Net cash inflow from operating activities	115,199	133,146	437,352	163,500	83,791
Net cash (outflow)/inflow from investing activities	(5,989)	73,195	7,360	933	(134,757)
Net cash (outflow)/inflow from financing activities	(187,777)	(145,944)	34,863	113,649	59,351
Net (decrease)/increase in cash and cash equivalents	**(78,567)**	**60,397**	**479,575**	**278,082**	**8,385**
Cash and cash equivalents at beginning of year/period	791,507	714,243	775,358	775,358	1,253,296
Effect of currency translation differences	1,303	718	(1,637)	(750)	(3,502)
Cash and cash equivalents at end of the year/period	**714,243**	**775,358**	**1,253,296**	**1,052,690**	**1,258,179**

Net Cash Inflow from Operating Activities

In the six months ended June 30, 2026, we had net cash generated from operating activities of RMB83.8 million. Our net cash inflow from operating activities is calculated by adjusting our profit before income tax of RMB82.6 million by non-cash and other items to arrive at an operating profit before changes in working capital of RMB158.3 million, further adjusted by working capital changes of RMB65.8 million and income tax paid of RMB8.6 million. Our movements in working capital primarily reflect (i) a decrease in trade payables of RMB38.2 million, (ii) an increase in prepayments, deposits and other receivables of RMB15.7 million, and (iii) a decrease in accruals and other payables of RMB16.2 million, partially offset by an increase in contract liabilities of RMB4.9 million.

In 2025, we had net cash generated from operating activities of RMB437.4 million. Our net cash inflow from operating activities is calculated by adjusting our loss before income tax of RMB247.9 million to by non-cash and other items arrive at an operating profit before changes in working capital of RMB434.4 million, further adjusted by working capital changes of RMB33.0 million and income tax paid of RMB30.0 million. Our movements in working capital primarily reflect an increase in trade payables of RMB69.9 million, partially offset by a decrease in accruals and other payables of RMB32.6 million.

In 2024, we had net cash generated from operating activities of RMB133.1 million, which is calculated by adjusting our profit before income tax of RMB312.9 million by non-cash and other items to arrive at an operating profit before working capital changes of RMB347.1 million, further adjusted by working capital changes of RMB188.6 million and income tax paid of RMB25.3 million. Our movements in working capital primarily reflect (i) a decrease in trade payables of RMB158.5 million, (ii) a decrease in accruals and other payables of RMB28.8 million, and (iii) a decrease in contract liabilities of RMB9.3 million, partially offset by a decrease in restricted cash of RMB5.8 million.

In 2023, we had net cash generated from operating activities of RMB115.2 million, which is calculated by adjusting our profit before income tax of RMB183.5 million by non-cash and other items to arrive at an operating profit before working capital changes of RMB320.8 million, further adjusted by working capital changes of RMB176.6 million and income tax paid of RMB29.0 million. Our movements in working capital primarily reflect (i) a decrease in trade payables of RMB107.5 million and (ii) a decrease in accruals and other

payables of RMB99.4 million, partially offset by a decrease in prepayments, deposits and other receivables of RMB33.2 million.

Net Cash (Outflow)/Inflow from Investing Activities

In the six months ended June 30, 2026, our net cash outflows used in investing activities was RMB134.8 million, mainly attributable to (i) placement of restricted deposits for derivative instrument of RMB134.8 million, and (ii) purchase of property, plant and equipment of RMB7.0 million, partially offset by interest received from bank deposits by RMB7.3 million.

In 2025, our net cash inflow from investing activities was RMB7.4 million, mainly attributable to (i) interest received from bank deposits of RMB16.7 million, and (ii) proceeds from disposal of property, plant and equipment of RMB4.9 million, partially offset by purchase of property, plant and equipment of RMB12.3 million.

In 2024, our net cash inflow from investing activities was RMB73.2 million, mainly attributable to (i) repayment from a related party of RMB77.2 million, and (ii) interest received from bank deposits of RMB13.5 million, partially offset by (i) purchase of property, plant and equipment of RMB11.8 million, and (ii) loans granted to a related party of RMB4.5 million.

In 2023, our net cash outflow from investing activities was RMB6.0 million, mainly attributable to (i) purchase of property, plant and equipment of RMB13.4 million, (ii) purchase of intangible assets of RMB6.6 million, and (iii) acquisition of financial assets at FVOCI of RMB5.0 million, partially offset by the interest received from bank deposits of RMB9.4 million and proceeds from disposal of property, plant and equipment of RMB6.3 million.

Net Cash (Outflow)/Inflow from Financing Activities

In the six months ended June 30, 2026, our net cash inflows generated from financing activities was RMB59.4 million, primarily attributable to (i) proceeds from bank borrowings of RMB399.9 million, and (ii) redemption of restricted bank deposits of RMB140.6 million, partially offset by (i) repayments of bank borrowings of RMB427.0 million, and (ii) principal elements of lease payments of RMB38.6 million.

In 2025, our net cash inflow from financing activities was RMB34.9 million, mainly attributable to (i) proceeds from bank borrowings of RMB664.9 million, and (ii) redemption of restricted bank deposits of RMB390.0 million, partially offset by (i) repayments of bank borrowings of RMB667.6 million, and (ii) placement of restricted bank deposits of RMB245.1 million.

In 2024, our net cash outflow from financing activities was RMB145.9 million, mainly attributable to (i) repayments of bank borrowings of RMB635.3 million, and (ii) placement of restricted bank deposits of RMB429.2 million, partially offset by (i) proceeds from bank borrowings of RMB764.7 million, and (ii) redemption of restricted bank deposits of RMB415.4 million.

In 2023, our net cash outflow from financing activities was RMB187.8 million, mainly attributable to (i) placement of restricted bank deposit of RMB470.0 million, and (ii) repayments of bank borrowings of RMB370.0 million, partially offset by (i) proceeds from bank borrowings of RMB600.3 million, and (ii) redemption of restricted bank deposit of RMB198.3 million.

INDEBTEDNESS

During the Track Record Period, our indebtedness include (i) convertible redeemable preferred shares, (ii) bank borrowings, and (iii) lease liabilities. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Current				
Convertible redeemable preferred shares	2,292,653	2,094,867	1,666,704	1,641,427
Bank borrowings	390,674	519,945	432,316	133,308
Lease liabilities	95,576	67,493	60,886	60,377
Non-Current				
Lease liabilities	119,596	76,996	149,938	162,902
Bank borrowings	–	–	85,000	356,900
Total	**2,898,499**	**2,759,301**	**2,394,844**	**2,354,914**

Convertible Redeemable Preferred Shares

As of December 31, 2023, 2024, 2025 and June 30, 2026, our convertible redeemable preferred shares had fair value of RMB2,292.7 million, RMB2,094.9 million, RMB1,666.7 million and RMB1,641.4 million, respectively. See Notes 24 and 26 to the Accountant's Report in Appendix I in this document.

Lease Liabilities

Our lease liabilities represent the present value of outstanding lease payments under our lease agreements. The following table sets forth the breakdown of our lease liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Current	95,576	67,493	60,886	60,377
Non-current	119,596	76,996	149,938	162,902
Total	**215,172**	**144,489**	**210,824**	**223,279**

Our lease liabilities decreased from RMB215.2 million as of December 31, 2023 to RMB144.5 million as of December 31, 2024, primarily due to the termination of certain leased warehousing facilities as part of our effort to enhance operational efficiency. Our lease liabilities increased from RMB144.5 million as of December 31, 2024 to RMB210.8 million as of December 31, 2025, primarily due to the addition of a leased integrated distribution center in Dongguan. Our lease liabilities increased from RMB210.8 million as of December 31, 2025 to RMB223.3 million as of June 30, 2026.

Bank Borrowings

As of December 31, 2023, 2024, 2025 and June 30, 2026, our bank borrowings were RMB390.7 million, RMB519.9 million, RMB517.3 million and RMB490.2 million, respectively. The weighted average interest rate, which is calculated based on interest expenses on bank borrowings divided by weighted average principal bank loan as of the relevant period end and multiplied by 100%, was 2.61%, 3.49%, 2.57% and 2.51% as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively. As of June 30, 2026, we had committed unutilized bank facilities of RMB200.0 million. These bank facilities are provided by independent third parties and not guaranteed by our Controlling Shareholders and/or their respective close associates.

Contingent Liabilities

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

Indebtedness Statement

Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and that we did not experience any difficulty in obtaining bank loans and other borrowings, material default in payment of trade and non-trade payables, bank loans and other borrowings or breach of covenants during the Track Record Period and up to the date of this document.

Save as disclosed above, as of June 30, 2026, being the latest indebtedness date, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since June 30, 2026 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

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

	Year ended/As of December 31,			Six months ended/ As of June 30,	
	2023	2024	2025	2025	2026
				(unaudited)	
Gross margin (%)[1]	9.8	10.2	11.2	11.2	11.5
Net margin (%)[2]	1.4	2.4	(2.5)	3.4	1.3
Adjusted net margin (non-HKFRS measure) (%)[3]	1.0	1.6	2.6	1.9	2.0
Debt-to-asset ratio (%)[4]	263.2	257.8	191.6	N/A	184.5

Notes:

(1) Calculated using gross profit for the period divided by total revenue for the period.

(2) Calculated using net profit for the period divided by total revenue for the period.

(3) Calculated using adjusted net profit (non-HKFRS measure) for the period divided by total revenue for the period.

(4) Calculated using total liabilities divided by total assets as of the end of the period and multiplied by 100%. The relevant financial position data as of June 30, 2025 is not available.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures consist of (i) purchase of property, plant and equipment, and (ii) purchase of intangible assets. We funded our capital expenditure requirements primarily from cash generated from our operating activities, equity financing and bank borrowings during the Track Record Period. The following table sets forth our capital expenditure for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(unaudited)	
Purchase of property, plant and equipment	13,431	11,790	12,264	6,193	7,040
Purchase of intangible assets	6,642	1,748	683	384	398
Total	**20,073**	**13,538**	**12,947**	**6,577**	**7,438**

We intend to fund our planned capital expenditures primarily with cash flows generated from our operations, bank borrowings, and the net [**REDACTED**] received from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**]." We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments were mainly related to the purchase of property, plant and equipment and intangible assets. See Note 34 to the Accountant's Report in Appendix I in this document. The following table sets forth our capital commitments for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Property, plant and equipment	255	1,855	1,610	527
Intangible asset	477	155	–	99
Total	**732**	**2,010**	**1,610**	**626**

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, our Group made a loan to Mr. Feng, which had been settled in July 2024. See Note 36 to the Accountant's Report in Appendix I in this document.

Our Directors are of the view that the related party transactions were 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 related party transactions during the Track Record Period would not distort our track record results or make our historical results unreflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet commitments and arrangements.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks: market risk (including foreign exchange rate, interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Market Risk

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our subsidiaries' functional currency. The functional currency of our Company and majority of our subsidiaries is RMB, except for the subsidiaries incorporated in Hong Kong where the functional currency is HK$ and the subsidiaries incorporated in Macau where the functional currency is MOP. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$ and HK$. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures. We have not entered into any forward exchange contract to hedge our exposure to foreign exchange risk.

Cash Flow and Fair Value Interest Rate Risk

We have no significant variable interest-bearing assets or liabilities except for the bank balances, of which the interest rates are not expected to change significantly.

Price Risk

We are exposed to material price risk in respect of financial assets at FVOCI held by us. We are not exposed to commodity price risk. To manage our price risk arising from the investments, all investments must be assessed cautiously and approved by the senior management before they may be entered into.

Credit Risk

We are exposed to credit risk in relation to our cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

To manage risk arising from cash and cash equivalents and restricted cash, we only transact with state-owned or reputable financial institutions in Chinese Mainland and reputable international financial institutions outside of Chinese Mainland. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have a low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

To manage risk arising from trade receivables, which are mostly from the franchisees, we have policies in place to ensure that they have settled the payment on T+1 basis and normally no credit period granted to them.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

Liquidity Risk

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on our liquidity requirements to ensure we maintain sufficient liquidity reserve to support sustainability and growth of our business. Currently, we finance our working capital requirements through funds generated from operations, issue of new shares, and obtaining bank borrowings.

See Note 3 to the Accountant's Report in Appendix I to this document.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute any dividend. According to our Articles of Association and applicable laws and regulations, the decision on whether to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends and other factors that our Directors may consider relevant. We do not have a predetermined dividend payout ratio. We will evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

Subject to the Cayman Companies Act, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profit or share premium account and no dividend shall exceed the amount recommended by our Board. Any declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future. As advised by our Cayman Islands Legal Advisor, under the Cayman Companies Act, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders as dividends may be declared and paid out of our share premium account, provided that immediately after the date on which the dividend is proposed to be paid, we will be able to pay our debts as they fall due in the ordinary course of business.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our subsidiaries, including our PRC companies. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles. Pursuant to the Company Law of the PRC, enterprises incorporated in the PRC are required to set aside 10% of their after-tax profits at the end of each year to fund statutory reserves, until such reserve funds reach and remain at or above 50% of the relevant PRC entity's registered capital. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the net [**REDACTED**] from the [**REDACTED**] and the financial resources available to us, including our internally generated funds, the available bank facilities, and cash and cash equivalents, we have sufficient working capital for our present requirements, that is at least 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of June 30, 2026, our Company had RMB82.5 million of retained earnings. The retained earnings are available for distribution to our Shareholders.

[**REDACTED**]

[**REDACTED**] represent professional fees, [**REDACTED**] commissions and other fees incurred in connection with the [**REDACTED**]. We estimate that our [**REDACTED**] will be approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range) and no exercise of the [**REDACTED**]), representing [**REDACTED**]% of the gross [**REDACTED**] (based on the mid-point of our indicative price range for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) of the [**REDACTED**]. During the Track Record Period, we incurred [**REDACTED**] of RMB[**REDACTED**], of which RMB[**REDACTED**] was charged to the consolidated statements of comprehensive income as administrative expenses, and RMB[**REDACTED**] will be deducted from equity. We expect to incur [**REDACTED**] of approximately HK$[**REDACTED**], of which approximately HK$[**REDACTED**] is expected to be recognized in the consolidated statements of comprehensive income and approximately HK$[**REDACTED**] is expected to be recognized as a deduction in equity directly upon the [**REDACTED**]. Our Directors do not expect such expenses to materially impact our results of operations in 2026. By nature, our [**REDACTED**] are composed of (i) [**REDACTED**] of approximately HK$[**REDACTED**], and (ii) non-[**REDACTED**] related expenses of approximately HK$[**REDACTED**], which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately HK$[**REDACTED**] and other fees and expenses of approximately HK$[**REDACTED**].

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since June 30, 2026, being the end date of the periods reported in the Accountant's Report in Appendix I to this document, and there has been no event since June 30, 2026 which would materially affect the information shown in the Accountant's Report in Appendix I in this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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