

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our historical financial information included in Accountants’ Report in Appendix I to this Document, together with the accompanying notes. Our historical financial information has been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the IASB, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants’ Report, and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance and involve risks and uncertainties. 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. Our actual results may differ materially from those anticipated in these forward looking statements as a result of any number of factors. In evaluating our business, you should carefully consider all of the information provided in this Document, including “Risk Factors” and “Business.”

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a global consumer technology company with a diversified portfolio spanning four product categories, namely charging products and accessories, office products, audio and visual products, and storage products. We support a wide range of everyday scenarios, including home, travel, work and entertainment. Our business is rooted in Chinese mainland market and extends to more than 180 countries and regions worldwide as of June 30, 2026.

During the Track Record Period, we experienced rapid growth both in Chinese mainland and overseas, demonstrating strong growth momentum. Our revenue was RMB4,801.4 million, RMB6,166.3 million, RMB9,485.6 million, RMB3,854.8 million and RMB5,813.9 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively. Our gross profit was RMB1,770.1 million, RMB2,266.6 million, RMB3,466.0 million, RMB1,390.1 million and RMB2,233.0 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, and our profit for the year/period was RMB393.7 million, RMB460.5 million, RMB703.5 million, RMB273.6 million and RMB432.2 million in the corresponding year/period.

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards (the “IFRSs”) and Interpretations approved by the IASB. The historical financial information has been prepared on the historical cost basis except for certain financial assets which are stated at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires 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 Accountants’ Report included in Appendix I to this Document.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, including but not limited to the following:

General Factors

Our business, results of operations, and financial conditions are impacted by general factors affecting the consumer technology industry in jurisdictions where we operate, which include:

- overall economic growth and level of per capita disposable income;
- continuous growth and evolving competitive landscape of the consumer technology industry; and
- international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions.

Special Factors

In addition to these general factors listed above, the following specific factors have a more direct impact on our business, results of operations, and financial conditions:

Our Ability to Launch New Products and Enhance Our Product Mix

Our ability to provide a comprehensive portfolio of products is a key factor affecting our financial condition and results of operations. Our future performance depends on our capacity to (i) sustain sales growth of our existing products by addressing evolving consumer preferences and demand, and (ii) successfully introduce new products to both our existing customer base and new consumers, thereby expanding our market presence.

Our revenue may be affected by the development and sales of our existing products, in particular, charging products and accessories, office products and audio and visual products. In 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, charging products and accessories, office products and audio and visual products together accounted for 93.2%, 93.7%, 87.1%, 89.2% and 86.8% of our total revenue for the respective year/period. Specifically, our revenue increased from RMB4,801.4 million in 2023 to RMB9,485.6 million in 2025, representing a CAGR of 40.6%, primarily due to an increase in revenue from the sales of our existing products as a result of our business expansion. We aim to maintain the growth of our charging products and accessories, office products and audio and visual products, which may affect our revenue.

Our success also depends on the development and sales of new products. Our storage products business grew at a fast pace during the Track Record Period and has become an increasingly important driver for our overall revenue growth. Specifically, our revenue generated from storage products increased by 213.2% from RMB391.4 million in 2024 to RMB1,225.8 million in 2025, which further increased by 85.5% from RMB414.8 million for the six months ended June 30, 2025 to RMB769.6 million during the same period in 2026. In particular, our NAS products have quickly gained a substantial market share both in Chinese mainland and globally during the Track Record Period. The consumer-grade NAS market is expected to expand rapidly from 2024 to 2029 at a CAGR of 38.0%. We believe that the growing demand for consumer-grade NAS products will continue to drive sales of our NAS offerings.

By continuously optimizing our product mix and leveraging our experience in market operations and consumer insights, we are committed to sustaining solid financial performance and driving long-term growth.

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Our Ability to Capture Consumer Needs and Enhance Our R&D Capabilities

Our financial performance is also influenced by the strength of our R&D capabilities. Our R&D strategy is fundamentally driven by consumer needs, supported by continuous feedback collected through multiple channels, including reviews, user interviews and demand-voting mechanism.

During the Track Record Period, we primarily relied on in-house R&D, adhering to our user-centric philosophy to drive product development and continuous optimization. We have established a comprehensive R&D system supported by professionals with diverse technological expertise. We believe that our advanced in-house R&D capabilities are a key factor in enabling us to respond effectively to diverse and evolving consumer preferences and industry requirements, and maintain our competitive position.

We have increased our R&D expenses to continuously enhance our product mix and launch new products. In 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, our R&D expenses amounted to RMB215.9 million, RMB304.1 million, RMB437.8 million, RMB173.5 million and RMB349.1 million, respectively. We expect to continue to increase our investment in research and development to further strengthen our R&D capabilities.

Our Ability to Expand Our Market Coverage and Promote Our Brand

We have established a global multichannel sales and distribution network to deliver our products to customers worldwide, primarily consisting of third-party e-commerce platforms and offline distributors, and are expanding it both in Chinese mainland and overseas. In the meantime, we are actively investing in brand development to reinforce “UGREEN” as a globally recognized name and strengthen its international presence. In 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, our selling expenses amounted to RMB911.8 million, RMB1,204.8 million, RMB1,894.9 million, RMB790.8 million and RMB1,151.8 million, respectively.

Our expansion into global market has been, and is expected to remain a key driver of our revenue growth. Our products have reached over 180 countries and regions as of June 30, 2026. Our revenue from overseas markets amounted to RMB2,419.5 million, RMB3,543.7 million, RMB5,821.4 million, RMB2,294.6 million and RMB3,887.6 million in 2023, 2024, and 2025 and the six months ended June 30, 2025 and 2026, respectively, accounting for 50.4%, 57.5%, 61.4%, 59.5% and 66.9% of our total revenue, in the respective period. To sustain this momentum, we will deepen our strategic foothold in developed markets while actively expanding into emerging markets, localizing our business models as needed. This geographic expansion is supported by the comprehensive development of our distribution network. We aim to strengthen our presence on leading domestic and international online channels (e.g., JD.com, Tmall and Amazon), gain an early mover advantage in next-generation social commerce platforms, and further broaden our global offline network to fully capitalize on international market opportunities.

Our brand is of utmost importance to our long-term success. We believe that our brand image is an important factor affecting consumers’ decisions regarding whether to purchase our products. The strength of our brand is underpinned in part by our reputation for providing high-quality products with various product functions that cater to a wide range of consumer needs, complemented by our comprehensive implementation of brand endorsement activities. We plan to continue investing in brand building to further enhance our brand value, laying a solid foundation for our long-term growth.

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Our Ability to Control Cost and Optimize our Production Efficiency

During the Track Record Period, we have adopted a flexible hybrid production model that combines in-house production with third-party manufacturing collaboration. In-house production enhances the stability and security of our supply chain, deepens our insight into manufacturing and price assessment, and improves synergistic efficiency, while third-party manufacturing collaboration helps us better respond to fluctuations in market needs through production flexibility.

Our ability to manage costs has a profound impact on our results of operations. Our cost of sales was RMB3,031.3 million, RMB3,899.7 million, RMB6,019.5 million, RMB2,464.7 million and RMB3,580.9 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, accounting for 63.1%, 63.2%, 63.5%, 63.9% and 61.6% of our total revenue for the respective year/period, respectively. The overall stability of our gross profit margin reflects our ongoing efforts to optimize procurement, streamline logistics operations, and enhance supply chain efficiency across different sales channels. We remain committed to further improving operational efficiency through technology-driven process enhancements and strategic supply chain management to support long-term margin expansion.

Our Ability to Improve Our Operational Efficiency

Our ability to manage and control our general and administrative expenses also impacts the profitability of our business. In 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, our general and administrative expenses amounted to RMB230.8 million, RMB281.4 million, RMB347.9 million, RMB154.1 million and RMB223.0 million, respectively, accounting for 4.8%, 4.6%, 3.6%, 4.0% and 3.8% of our total revenue for the same year/period. As our business scales, we expect these expenses to increase in absolute terms but remain stable or gradually decline as a percentage of revenue due to economies of scale and improved operational efficiency. We have also enhanced expense management through detailed budgeting and performance monitoring to support effective overhead control and long-term profitability.

MATERIAL ACCOUNTING POLICY INFORMATION

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 experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances. During the Track Record Period, there were no material deviations between our management’s key estimates or assumptions and actual results, and we did not make any material changes to these estimates or assumptions. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Our significant accounting policies, estimates and judgments, which are important for understanding of our financial condition and results of operations, are set forth in detail in Note 3 and Note 4 to the Accountant’s Report in Appendix I to this Document.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of comprehensive income with line items in absolute amounts and as a percentage of our revenue for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Revenue	4,801,410	100.0	6,166,334	100.0	9,485,595	100.0	3,854,814	100.0	5,813,890	100.0
Cost of sales	(3,031,297)	(63.1)	(3,899,738)	(63.2)	(6,019,549)	(63.5)	(2,464,711)	(63.9)	(3,580,864)	(61.6)
Gross profit	1,770,113	36.9	2,266,596	36.8	3,466,046	36.5	1,390,103	36.1	2,233,026	38.4
Other income	28,605	0.6	26,060	0.4	29,038	0.3	13,574	0.3	13,178	0.2
Other gains/(losses), net	16,150	0.3	26,937	0.4	27,598	0.3	29,958	0.8	(35,186)	(0.6)
Research and development expenses	(215,891)	(4.5)	(304,116)	(4.9)	(437,808)	(4.6)	(173,515)	(4.5)	(349,130)	(6.0)
General and administrative expenses	(230,825)	(4.8)	(281,394)	(4.6)	(347,920)	(3.6)	(154,135)	(4.0)	(223,038)	(3.8)
Selling expenses	(911,823)	(19.0)	(1,204,832)	(19.5)	(1,894,923)	(20.0)	(790,839)	(20.5)	(1,151,785)	(19.8)
Net impairment losses (recognized)/reversed on financial assets	(3,829)	(0.1)	1,641	0.0	(16,644)	(0.2)	(5,623)	(0.2)	(9,497)	(0.2)
Finance costs	(6,915)	(0.1)	(5,909)	(0.1)	(6,359)	(0.1)	(3,136)	(0.1)	(3,258)	(0.1)
Profit before income tax	445,585	9.3	524,983	8.5	819,028	8.6	306,387	7.9	474,310	8.1
Income tax expense	(51,901)	(1.1)	(64,499)	(1.0)	(115,572)	(1.2)	(32,827)	(0.8)	(42,106)	(0.7)
Profit for the year/period	393,684	8.2	460,484	7.5	703,456	7.4	273,560	7.1	432,204	7.4
Attributable to:										
Owners of the Company	387,518	8.1	462,280	7.5	704,594	7.4	274,678	7.1	430,981	7.4
Non-controlling interests	6,166	0.1	(1,796)	(0.0)	(1,138)	(0.0)	(1,118)	(0.0)	1,223	0.0

KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We derived our revenues from sales of our consumer technology products, including (i) charging products and accessories; (ii) office products; (iii) audio and visual products, and (iv) storage products.

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Revenue by Product Type

The following table sets forth a breakdown of our revenue by product type both in absolute amount and as a percentage of our total revenue for the years/periods presented.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
							<i>(unaudited)</i>			
Charging products and accessories . . .	2,076,044	43.3	2,957,626	48.0	4,355,886	45.9	1,777,633	46.1	2,666,726	45.9
Office products . . .	1,446,986	30.1	1,756,799	28.5	2,431,563	25.7	1,032,210	26.8	1,500,369	25.8
Audio and visual products	950,255	19.8	1,060,493	17.2	1,472,320	15.5	630,187	16.3	877,236	15.1
Storage products . . .	328,125	6.8	391,416	6.3	1,225,826	12.9	414,784	10.8	769,559	13.2
Total	4,801,410	100.0	6,166,334	100.0	9,485,595	100.0	3,854,814	100.0	5,813,890	100.0

Revenue by Geographical Market

The following table sets forth a breakdown of our revenue by geographical market both in absolute amount and as a percentage of our total revenue for the years/periods presented.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
							<i>(unaudited)</i>			
Chinese mainland . .	2,381,861	49.6	2,622,656	42.5	3,664,224	38.6	1,560,179	40.5	1,926,243	33.1
Asia (excluding Chinese mainland) .	849,664	17.7	1,275,129	20.6	2,049,236	21.6	916,344	23.8	1,281,081	22.0
Europe	810,289	16.9	1,181,429	19.2	2,075,340	21.9	740,962	19.2	1,402,422	24.1
– Germany	224,208	4.7	313,933	5.1	616,167	6.5	217,616	5.6	403,976	6.9
The Americas	692,092	14.4	968,361	15.7	1,502,142	15.8	559,364	14.5	1,068,349	18.4
– The U.S.	362,507	7.6	480,726	7.8	838,446	8.8	305,669	7.9	607,794	10.5
Oceania	48,056	1.0	96,804	1.6	152,266	1.6	63,322	1.6	108,230	1.9
Other countries/regions . .	19,448	0.4	21,955	0.4	42,387	0.5	14,643	0.4	27,565	0.5
Total	4,801,410	100.0	6,166,334	100.0	9,485,595	100.0	3,854,814	100.0	5,813,890	100.0

Note:

Other countries/regions primarily include the markets in African countries, such as South Africa and Egypt.

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Our revenue generated from overseas markets increased by 46.5% from RMB2,419.5 million in 2023 to RMB3,543.7 million in 2024, and further increased by 64.3% to RMB5,821.4 million in 2025. Our revenue generated from overseas markets also increased by 69.4% from RMB2,294.6 million for the six months ended June 30, 2025 to RMB3,887.6 million during the same period in 2026. Such increases were primarily due to (i) the continuous expansion of our global omnichannel sales and distribution network, as we have established localized service subsidiaries in key markets and implemented differentiated product and go-to-market strategies based on the specific conditions and consumer preferences of each market, and (ii) our brand development investment to reinforce “UGREEN” as a globally recognized name and strengthen its international presence.

Cost of Sales

Our cost of sales consisted of (i) cost of purchased goods, reflecting our procurement costs of finished goods from third-party manufacturing partners; (ii) logistics fees; (iii) raw materials consumed for production, relating to our in-house production; (iv) employee benefit expenses; (v) change in finished goods and work in progress; (vi) processing fee for manufacturing, and (vii) others.

The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as percentages of total cost of sales, for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Cost of purchased goods	2,090,412	69.0	2,608,713	66.9	4,425,935	73.5	1,774,838	72.0	2,504,747	70.0
Logistics fees	511,602	16.9	680,070	17.4	1,036,090	17.2	413,187	16.8	642,537	17.9
Raw materials consumed for production	461,583	15.2	563,617	14.5	760,831	12.6	337,145	13.7	452,813	12.6
Employee benefit expenses	66,301	2.2	75,109	1.9	123,535	2.1	54,127	2.2	68,812	1.9
Change in finished goods and work in progress	(244,793)	(8.1)	(216,411)	(5.5)	(627,156)	(10.4)	(246,239)	(10.0)	(227,661)	(6.4)
Processing fee for manufacturing	60,860	2.0	81,829	2.1	115,840	1.9	51,839	2.1	61,202	1.7
Others	85,332	2.8	106,811	2.7	184,474	3.1	79,814	3.2	78,414	2.3
	<u>3,031,297</u>	<u>100.0</u>	<u>3,899,738</u>	<u>100.0</u>	<u>6,019,549</u>	<u>100.0</u>	<u>2,464,711</u>	<u>100.0</u>	<u>3,580,864</u>	<u>100.0</u>

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Gross Profit and Gross Profit Margin

Our gross profit was RMB1,770.1 million, RMB2,266.6 million, RMB3,466.0 million, RMB1,390.1 million and RMB2,233.0 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively and our gross profit margin was 36.9%, 36.8%, 36.5%, 36.1% and 38.4% for the same years/periods, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross		Gross		Gross		Gross		Gross	
	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit	Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Charging products and accessories . . .	730,908	35.2	1,045,696	35.4	1,551,455	35.6	620,604	34.9	1,003,619	37.6
Office products	564,903	39.0	694,921	39.6	970,467	39.9	406,371	39.4	627,581	41.8
Audio and visual products	387,412	40.8	437,222	41.2	594,677	40.4	252,585	40.1	366,584	41.8
Storage products . . .	86,890	26.5	88,757	22.7	349,447	28.5	110,543	26.7	235,242	30.6
Total	1,770,113	36.9	2,266,596	36.8	3,466,046	36.5	1,390,103	36.1	2,233,026	38.4

The following table sets forth a breakdown of our gross profit and gross profit margin by geographical market for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross		Gross		Gross		Gross		Gross	
	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit	Profit Margin	Gross Profit	Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Chinese mainland . .	664,748	27.9	717,952	27.4	977,605	26.7	402,594	25.8	544,125	28.2
Asia (excluding Chinese mainland) .	368,868	43.4	557,021	43.7	905,581	44.2	398,574	43.5	556,499	43.4
Europe	395,789	48.8	521,158	44.1	915,226	44.1	326,644	44.1	606,526	43.2
The Americas	310,968	44.9	418,236	43.2	586,510	39.0	231,113	41.3	466,806	43.7
Oceania	23,657	49.2	44,039	45.5	65,710	43.2	25,871	40.9	49,632	45.9
Other countries/regions . .	6,083	31.3	8,190	37.3	15,414	36.4	5,307	36.2	9,438	34.2
Total	1,770,113	36.9	2,266,596	36.8	3,466,046	36.5	1,390,103	36.1	2,233,026	38.4

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Our gross profit margin in Europe decreased from 48.8% in 2023 to 44.1% in 2024, and remained stable at 44.1% in 2025. Our gross profit margin in the Americas slightly decreased from 44.9% in 2023 to 43.2% in 2024, and further decreased to 39.0% in 2025. Such decreases were primarily attributable to (i) our strategic sales promotions on major overseas third-party e-commerce platforms, and (ii) increased logistics and other costs driven by regional geopolitical factors and adjustments to transportation methods. Our gross profit margin in the Americas increased from 41.3% for the six months ended June 30, 2025 to 43.7% during the same period in 2026, primarily attributable to the receipt of U.S. tariffs refund of RMB63.9 million in the first half of 2026, which deducted the corresponding cost of sales in the U.S. market, while our underlying profitability in this market remained generally stable.

Other Income

Our other income consisted of (i) government grants; (ii) interest income, and (iii) others. Our other income was RMB28.6 million, RMB26.1 million, RMB29.0 million, RMB13.6 million and RMB13.2 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively.

The following table sets forth a breakdown of our other income both in absolute amount and as a percentage of our total other income for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Government grants	18,034	63.0	14,802	56.8	19,294	66.5	8,125	59.9	9,438	71.6
Interest income	9,690	33.9	9,595	36.8	8,603	29.6	4,710	34.7	4,399	33.4
Others	881	3.1	1,663	6.4	1,141	3.9	739	5.4	(659)	(5.0)
Total	28,605	100.0	26,060	100.0	29,038	100.0	13,574	100.0	13,178	100.0

Research and Development Expenses

Our research and development expenses consisted of (i) employee benefit expenses; (ii) design, testing and other development expenses; (iii) research and development materials consumed, and (iv) depreciation and amortization. Depreciation and amortization expenses represented (i) depreciation of right-of-use assets; (ii) depreciation of property, plant and equipment; and (iii) amortization of intangible assets.

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The following table sets forth a breakdown of our research and development expenses both in absolute amount and as a percentage of our total research and development expenses for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Employee benefit expenses	162,374	75.2	230,500	75.8	353,980	80.9	139,471	80.4	290,485	83.2
Design, testing and other development expenses	22,076	10.2	35,051	11.5	45,299	10.3	15,611	9.0	29,954	8.6
Research and development materials consumed	25,435	11.8	30,459	10.0	29,417	6.7	14,331	8.2	22,630	6.5
Depreciation and amortization	6,006	2.8	8,106	2.7	9,112	2.1	4,102	2.4	6,061	1.7
Total	215,891	100.0	304,116	100.0	437,808	100.0	173,515	100.0	349,130	100.0

General and Administrative Expenses

Our general and administrative expenses consisted of (i) employee benefit expenses; (ii) depreciation and amortization; (iii) travel and office expenses; (iv) tax and surcharges; (v) professional service fees, and (vi) others.

The following table sets forth a breakdown of our general and administrative expenses both in absolute amount and as a percentage of our total general and administrative expenses for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Employee benefit expenses	138,341	59.9	181,177	64.4	209,872	60.3	98,652	64.0	127,405	57.1
Depreciation and amortization	39,079	16.9	34,949	12.4	36,236	10.4	18,197	11.8	21,550	9.7
Travel and office expenses	14,865	6.4	17,434	6.2	23,092	6.6	11,832	7.7	14,385	6.4
Tax and surcharges . .	14,376	6.2	16,445	5.8	23,660	6.8	9,538	6.2	12,261	5.5
Professional service fees	14,671	6.5	12,870	4.6	22,859	6.6	5,627	3.7	20,177	9.0
Others	9,493	4.1	18,519	6.6	32,201	9.3	10,289	6.6	27,260	12.3
Total	230,825	100.0	281,394	100.0	347,920	100.0	154,135	100.0	223,038	100.0

Selling Expenses

Our selling expenses consisted of (i) advertising, marketing and promotion expenses; (ii) platform service fees, which include sales commissions that are generally charged on a proportional basis, platform warehousing fees and other platform-related service fees; (iii) employee benefit expenses, and (iv) others.

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The following table sets forth a breakdown of our selling expenses both in absolute amount and as a percentage of our total selling expenses for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Advertising, marketing and promotion expenses	361,652	39.7	424,132	35.2	712,518	37.6	302,878	38.3	364,398	31.6
Platform service fees	328,669	36.0	469,485	39.0	755,916	39.9	300,166	38.0	511,840	44.4
Employee benefit expenses	195,372	21.4	266,757	22.1	361,727	19.1	158,917	20.1	236,431	20.5
Others	26,130	2.9	44,458	3.7	64,762	3.4	28,878	3.6	39,116	3.5
Total	911,823	100.0	1,204,832	100.0	1,894,923	100.0	790,839	100.0	1,151,785	100.0

Net Impairment Losses (Recognized)/Reversed on Financial Assets

Net impairment losses on financial assets primarily represents impairment on trade and bills receivables and other receivables. We recorded impairment losses on financial assets of RMB3.8 million, RMB16.6 million, RMB5.6 million and RMB9.5 million in 2023, 2025 and for the six months ended June 30, 2025 and 2026, respectively. We recorded reversal of impairment losses on financial assets of RMB1.6 million in 2024.

Finance Costs

Our finance costs consisted of interest expense on lease liabilities. Our finance costs amounted to RMB6.9 million, RMB5.9 million, RMB6.4 million, RMB3.1 million and RMB3.3 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively.

Other Gains/(Losses), Net

Our other gains/(losses) consisted of (i) fair value gains and investment income on financial assets at FVTPL; (ii) net foreign exchange gains; (iii) net compensation for lost goods; (iv) net gains/(losses) on disposal of property, plant and equipment, and (v) other losses. Our other gains were RMB16.2 million, RMB26.9 million, RMB27.6 million and RMB30.0 million in 2023, 2024 and 2025 and the six months ended June 30, 2025, respectively. We recorded other losses of RMB35.2 million for the six months ended June 30, 2026.

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The following table sets forth a breakdown of our other gains/(losses) both in absolute amount and as a percentage of our total other gains/(losses) for the years/periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Fair value gains and investment income on financial assets at FVTPL	6,433	39.8	11,755	43.6	17,035	61.8	10,761	35.9	3,398	(9.7)
Net foreign exchange gains/(losses) . . .	5,710	35.4	9,742	36.2	4,893	17.7	15,256	50.9	(43,860)	124.7
Net compensation for lost goods	4,099	25.4	5,772	21.4	9,964	36.1	4,456	14.9	6,308	(17.9)
Net gains/(losses) on disposal of property, plant and equipment	223	1.4	31	0.1	(26)	(0.1)	34	0.1	–	0.0
Other losses	(315)	(2.0)	(363)	(1.3)	(4,268)	(15.5)	(549)	(1.8)	(1,032)	2.9
Total	16,150	100.0	26,937	100.0	27,598	100.0	29,958	100.0	(35,186)	100.0

Note: Other losses in 2025 primarily consisted of late payment fees and donations.

Income Tax Expense

Our income tax expense primarily consisted of current income tax and deferred income tax. We recorded income tax expenses of RMB51.9 million, RMB64.5 million, RMB115.6 million, RMB32.8 million and RMB42.1 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively. The following summarizes the tax rates of our principal subsidiaries.

Chinese Mainland

Pursuant to the PRC Enterprise Income Tax Law and the respective regulations, the enterprise income tax (the “EIT”) for the certain of the Company’s subsidiaries is calculated at a statutory rate of 25%, on their estimated taxable profits for the year based on the existing legislations, interpretations and practices in respect thereof.

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, the Company was qualified as “High and New Technology Enterprises (HNTE)” and are therefore entitled to a preferential tax rate of 15% from 2023 to 2025.

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, certain subsidiaries of the Company were qualified HNTE and are therefore entitled to a preferential tax rate of 15% from 2023 to 2025 or 2024 to 2026.

Pursuant to Caishui [2022] No. 13 “Announcement on Further Implementing the Income Tax Preferential Policies for Small Meager-Profit Enterprises” (關於進一步實施小微企業所得稅優惠政策的公告), certain subsidiaries were qualified for Small Meager-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income exceeding RMB1 million but less than RMB3 million from January 1, 2022 to December 31, 2024.

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Pursuant to Caishui [2023] No. 6 “Announcement on the Income Tax Preferential Policies for Small Meager-Profit Enterprises and Self-Employed Businesses” (關於小微企業和個體工商戶所得稅優惠政策的公告) certain subsidiaries were qualified for Small Meager-profit Enterprises and entitled to a preferential income tax rate of 20% on the 25% of taxable income not exceeding RMB1 million from January 1, 2023 to December 31, 2027.

Hong Kong SAR

Hong Kong profits tax has been provided at the rate of 16.5% during the Track Record Period on the estimated assessable profit for the year/period.

Following the enactment of the Inland Revenue (Amendment) (No. 3) Ordinance 2018 on March 29, 2018, amongst all the other group companies, the Company has selected Hong Kong Ugreen Limited to use the two-tiered profits tax rates whereby Hong Kong Ugreen Limited’s first 2 million Hong Kong dollars of assessable profits will be taxed at 8.25% and the remaining profits will be taxed at the standard rate of 16.5%.

Other jurisdictions

Taxation for other overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant countries.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2025 Compared to Six Months Ended June 30, 2026

Revenue

Our revenue increased by 50.8% from RMB3,854.8 million for the six months ended June 30, 2025 to RMB5,813.9 million during the same period in 2026. The increase in our revenue was primarily driven by (i) the gradual expansion and continuous optimization of our product portfolio, (ii) strong momentum emerging in overseas markets, (iii) continued expansion of our sales and distribution network, and (iv) consumer traffic generated by our brand endorsement activities and other sales strategies.

- **Charging Products and Accessories.** Revenue from charging products and accessories increased by 50.0% from RMB1,777.6 million for the six months ended June 30, 2025 to RMB2,666.7 million during the same period in 2026. The increase was primarily driven by higher sales of charging products both in Chinese mainland and overseas markets, mainly attributable to the expansion of our offline channels and the optimization of our product mix.
- **Office Products.** Revenue from office products increased by 45.4% from RMB1,032.2 million for the six months ended June 30, 2025 to RMB1,500.4 million during the same period in 2026. The increase is primarily due to a steady growth of our revenue from the sales of docking stations and revenue contribution of emerging new products.
- **Audio and Visual Products.** Revenue from audio and visual products increased by 39.2% from RMB630.2 million for the six months ended June 30, 2025 to RMB877.2 million during the same period in 2026. The increase is primarily due to the increased sales of headphone products and other audio and visual products in overseas markets supported by our proactive marketing activities within major online channels and the launch of new products.

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- **Storage Products.** Revenue from storage products increased by 85.5% from RMB414.8 million for the six months ended June 30, 2025 to RMB769.6 million during the same period in 2026. The increase was primarily driven by growing demand for our NAS products, supported by the emerging local data storage needs of households and small and medium-sized enterprises, together with our further expansion into overseas markets and increased recognition of our UGREEN brand.

Cost of Sales

Our cost of sales increased by 45.3% from RMB2,464.7 million for the six months ended June 30, 2025 to RMB3,580.9 million during the same period in 2026, which was generally in line with our revenue growth in the same period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 60.6% from RMB1,390.1 million for the six months ended June 30, 2025 to RMB2,233.0 million during the same period in 2026. Our gross profit margin increased from 36.1% for the six months ended June 30, 2025 to 38.4% during the same period in 2026, primarily attributable to our stable profitability, which was further raised by (i) the receipt of U.S. tariffs refund of RMB63.9 million in 2026, which deducted our cost of sales; and (ii) an increase in the selling prices of our products.

Other Income

Our other income remained relatively stable at RMB13.6 million and RMB13.2 million for the six months ended June 30, 2025 and 2026, respectively.

Research and Development Expenses

Our research and development expenses increased by 101.2% from RMB173.5 million for the six months ended June 30, 2025 to RMB349.1 million during the same period in 2026, primarily due to the expansion of our R&D team and increased remuneration for R&D personnel to support our technology advancements and development of new products.

General and Administrative Expenses

Our general and administrative expenses increased by 44.7% from RMB154.1 million for the six months ended June 30, 2025 to RMB223.0 million during the same period in 2026, mainly due to the expansion of our administrative and other business support teams and higher remuneration for the aforesaid personnel in line with our business expansion, as well as professional services fees incurred primarily for strategic and management consulting.

Selling Expenses

Our selling expenses increased by 45.6% from RMB790.8 million for the six months ended June 30, 2025 to RMB1,151.8 million during the same period in 2026, primarily due to an increase in platform service fees, in line with our online sales growth and business expansion.

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Net Impairment Losses (Recognized)/Reversed on Financial Assets

Our impairment losses on financial assets increased by 68.9% from RMB5.6 million for the six months ended June 30, 2025 to RMB9.5 million during the same period in 2026, primarily due to an increase in provision made for receivables, as a result of our further business expansion in overseas markets.

Finance Costs

Our finance costs increased by 3.9% from RMB3.1 million for the six months ended June 30, 2025 to RMB3.3 million during the same period in 2026, primarily due to an increase in our interest expense on lease liabilities as a result of our newly-added leases.

Other Gains/(Losses), Net

We recorded net other gains of RMB30.0 million for the six months ended June 30, 2025 and net other losses of RMB35.2 million during the same period in 2026, primarily attributable to net foreign exchange losses of RMB43.9 million recognized during the six months ended June 30, 2026 as a result of fluctuations in foreign exchange rates.

Income Tax Expense

Our income tax expense increased by 28.3% from RMB32.8 million for the six months ended June 30, 2025 to RMB42.1 million during the same period in 2026, primarily due to an increase in our profit before income tax.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 58.0% from RMB273.6 million for the six months ended June 30, 2025 to RMB432.2 million during the same period in 2026.

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

Revenue

Our revenue increased by 53.8% from RMB6,166.3 million in 2024 to RMB9,485.6 million in 2025. The increase in our revenue was primarily driven by (i) the gradual expansion of our product portfolio, (ii) strong momentum emerging in overseas markets, (iii) continued expansion of our sales and distribution network, and (iv) consumer traffic generated by our brand endorsement activities and other sales strategies.

- ***Charging Products and Accessories.*** Revenue from charging products and accessories increased by 47.3% from RMB2,957.6 million in 2024 to RMB4,355.9 million in 2025. The increase was primarily driven by higher sales of charging products both in Chinese mainland and overseas markets driven by enhanced product portfolio with advanced technology and strategic expansion of sales and distribution channels.
- ***Office Products.*** Revenue from office products increased by 38.4% from RMB1,756.8 million in 2024 to RMB2,431.6 million in 2025. The increase is primarily due to a steady growth of our revenue from the sales of docking stations and launch of new products under the other office products category.

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- *Audio and Visual Products.* Revenue from audio and visual products increased by 38.8% from RMB1,060.5 million in 2024 to RMB1,472.3 million in 2025. The increase is primarily due to a rapid growth of our revenue from the sales of headphone products and other audio and visual products.
- *Storage Products.* Revenue from storage products increased by 213.2% from RMB391.4 million in 2024 to RMB1,225.8 million in 2025. The increase was primarily driven by robust growth in revenue from NAS product sales, attributable to the expansion to overseas market and the diversification of our product portfolio to cover the full range from entry-level to high-end models.

Cost of Sales

Our cost of sales increased by 54.4% from RMB3,899.7 million in 2024 to RMB6,019.5 million in 2025, which was generally in line with our revenue growth in the same period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 52.9% from RMB2,266.6 million in 2024 to RMB3,466.0 million in 2025. Our gross profit margin decreased slightly from 36.8% in 2024 to 36.5% in 2025, primarily attributable to the official launch of NAS products to overseas markets in 2025 and their growing contribution to our revenue. During the initial stage of market entry, these products were priced more competitively to capture market share, which while driving a significant increase in revenue from NAS products, resulted in a slight dilution of overall gross profit margin.

Other Income

Our other income increased by 11.4% from RMB26.1 million in 2024 to RMB29.0 million in 2025, primarily due to an increase of government grants.

Research and Development Expenses

Our research and development expenses increased by 44.0% from RMB304.1 million in 2024 to RMB437.8 million in 2025, primarily due to higher employee benefit expenses, resulting from the expansion of our R&D team and increased remuneration for R&D personnel to keep pace with business growth and rapid technological developments.

General and Administrative Expenses

Our general and administrative expenses increased by 23.6% from RMB281.4 million in 2024 to RMB347.9 million in 2025, primarily due to higher employee benefit expenses, resulting from the expansion of our administrative and other business support teams and increased remuneration for the aforesaid personnel consistent with our business expansion.

Selling Expenses

Our selling expenses increased by 57.3% from RMB1,204.8 million in 2024 to RMB1,894.9 million in 2025, primarily due to (i) an increase of advertising, marketing and promotion expenses, resulting from our proactive branding initiatives, which encompasses celebrity endorsements and IP collaboration, along with our targeted marketing campaigns for newly launched products like NAS, and (ii) an increase in platform service fees, reflecting our revenue growth and business expansion.

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Net Impairment Losses (Recognized)/Reversed on Financial Assets

We recorded impairment losses on financial assets of RMB16.6 million in 2025, primarily due to an increase in provision made for receivables, as a result of our business expansion in overseas markets. We recorded a reversal of impairment losses on financial assets of RMB1.6 million in 2024, primarily due to a decrease in trade receivables compared to 2023.

Finance Costs

Our finance costs increased by 7.6% from RMB5.9 million in 2024 to RMB6.4 million in 2025 primarily due to an increase in our interest expense on lease liabilities as a result of our extended and newly-added leases.

Other Gains, Net

Our other gains increased by 2.5% from RMB26.9 million in 2024 to RMB27.6 million in 2025, primarily due to an increase in fair value gains and investment income on financial assets at FVTPL driven by our purchase of structured deposits, bank wealth management products and large denomination certificates of deposits.

Income Tax Expense

Our income tax expense increased by 79.2% from RMB64.5 million in 2024 to RMB115.6 million in 2025, primarily due to an increase in our profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 52.8% from RMB460.5 million in 2024 to RMB703.5 million in 2025.

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

Revenue

Our revenue increased by 28.4% from RMB4,801.4 million in 2023 to RMB6,166.3 million in 2024. The increase in our revenue was primarily driven by (i) the gradual expansion of our product portfolio, (ii) strong momentum emerging in overseas markets, (iii) continued expansion of our sales and distribution network, and (iv) consumer traffic generated by our brand endorsement activities and other sales strategies.

- *Charging Products and Accessories.* Revenue from charging products and accessories increased by 42.5% from RMB2,076.0 million in 2023 to RMB2,957.6 million in 2024. The increase was primarily driven by higher sales of charging products both in Chinese mainland and overseas markets.
- *Office Products.* Revenue from office products increased by 21.4% from RMB1,447.0 million in 2023 to RMB1,756.8 million in 2024. The increase is primarily due to a steady growth of our revenue from the sales of docking stations and Bluetooth receivers and transmitters.
- *Audio and Visual Products.* Revenue from audio and visual products increased by 11.6% from RMB950.3 million in 2023 to RMB1,060.5 million in 2024. The increase is primarily due to a steady growth of our revenue from the sales of headphone products attributable to the launch of new product series.

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- *Storage Products.* Revenue from storage products increased by 19.3% from RMB328.1 million in 2023 to RMB391.4 million in 2024. The increase was primarily driven by higher revenue from NAS product sales, attributable to the launch of new product series powered by UGOS Pro operating system.

Cost of Sales

Our cost of sales increased by 28.6% from RMB3,031.3 million in 2023 to RMB3,899.7 million in 2024, which was generally in line with our revenue growth in the same period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 28.0% from RMB1,770.1 million in 2023 to RMB2,266.6 million in 2024. Our gross profit margin slightly decreased from 36.9% in 2023 to 36.8% in 2024, primarily attributable to (i) a shift in product mix in the Chinese mainland market, with increased sales contribution from high-volume products at relatively lower margins such as power banks, the revenue generated from which in Chinese mainland increased from RMB55.9 million in 2023 to RMB203.8 million in 2024, accounting for 2.4% and 7.8% of our total revenue from Chinese mainland in the corresponding year, as well as (ii) an increase of revenue contribution by NAS products as we conducted a pilot market testing initiative among overseas customers in 2024. As part of this initiative, we adopted a more competitive pricing strategy to attract early adopters and encourage customer participation.

Other Income

Our other income decreased by 8.9% from RMB28.6 million in 2023 to RMB26.1 million in 2024, primarily due to a decrease of government grants.

Research and Development Expenses

Our research and development expenses increased by 40.9% from RMB215.9 million in 2023 to RMB304.1 million in 2024, primarily due to higher employee benefit expenses, resulting from the expansion of our R&D team and increased remuneration for R&D personnel to keep pace with business growth and rapid technological developments.

General and Administrative Expenses

Our general and administrative expenses increased by 21.9% from RMB230.8 million in 2023 to RMB281.4 million in 2024, primarily due to higher employee benefit expenses, resulting from the expansion of our administrative and other business support teams and increased remuneration for the aforesaid personnel consistent with our business expansion.

Selling Expenses

Our selling expenses increased by 32.1% from RMB911.8 million in 2023 to RMB1,204.8 million in 2024, primarily due to higher platform service fees in line with our revenue growth in online sales channels, as well as higher advertising, marketing and promotion expenses and employee benefit expenses, reflecting our business expansion.

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Net Impairment Losses (Recognized)/Reversed on Financial Assets

We recorded reversal of impairment losses on financial assets of RMB1.6 million in 2024, primarily due to a decrease in trade receivables compared to 2023. We recorded impairment losses on financial assets of RMB3.8 million in 2023, primarily due to the timing of collections from a major e-commerce platform customer in 2023, which was affected by the New Year holiday.

Finance Costs

Our finance costs decreased by 14.5% from RMB6.9 million in 2023 to RMB5.9 million in 2024, primarily due to a decrease in our interest expense on lease liabilities due to the existing leases moving closer to expiration.

Other Gains, Net

Our other gains increased by 66.8% from RMB16.2 million in 2023 to RMB26.9 million in 2024, primarily due to an increase in fair value gains and investment income on financial assets at FVTPL due to movements in our holdings of structured deposits, bank wealth management products and large denomination certificates of deposits and an increase in net foreign exchange gains due to our business expansion in overseas markets.

Income Tax Expense

Our income tax expense increased by 24.3% from RMB51.9 million in 2023 to RMB64.5 million in 2024, primarily due to an increase in our profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 17.0% from RMB393.7 million in 2023 to RMB460.5 million in 2024.

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DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Non-current assets:				
Property, plant and equipment	47,337	51,741	63,624	92,235
Right-of-use assets	116,260	106,464	131,570	135,626
Intangible assets	5,458	8,869	11,177	12,884
Financial assets at fair value through profit or loss	—	333,447	—	—
Financial assets at fair value through other comprehensive income	—	—	16,010	18,430
Prepayments, other receivables and other assets	6,753	5,236	10,381	114,654
Deferred tax assets	26,254	35,574	52,236	71,272
Total non-current assets	202,062	541,331	284,998	445,101
Current assets:				
Inventories	995,850	1,234,642	2,000,515	2,457,720
Trade and bills receivables	137,337	99,650	346,838	483,330
Prepayments, other receivables and other assets	120,752	135,033	471,694	406,370
Prepaid income tax	4,844	8	—	8,658
Financial assets at fair value through profit or loss	—	741,540	431,313	110,152
Restricted bank deposits	—	—	7,029	27,244
Cash and cash equivalents	992,314	1,142,738	1,386,529	1,173,738
Total current assets	2,251,097	3,353,611	4,643,918	4,667,212
Current liabilities:				
Trade payables	355,794	554,094	805,578	775,042
Contract liabilities	33,969	61,959	95,066	111,290
Other payables and accruals	129,448	200,282	402,303	402,444
Lease liabilities	31,887	22,698	40,499	47,262
Income tax payable	21,183	22,916	46,270	33,196
Total current liabilities	572,281	861,949	1,389,716	1,369,234
Net current assets	1,678,816	2,491,662	3,254,202	3,297,978
Non-current liabilities:				
Lease liabilities	95,182	95,540	106,715	105,736
Provision	9,380	12,617	24,777	41,812
Total non-current liabilities	104,562	108,157	131,492	147,548
Net assets	1,776,316	2,924,836	3,407,708	3,595,531

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Our net current assets increased by 48.4% from RMB1,678.8 million as of December 31, 2023 to RMB2,491.7 million as of December 31, 2024, primarily due to an increase of RMB741.5 million in financial assets at FVTPL and an increase of RMB238.8 million in inventories, partially offset by an increase of RMB198.3 million in trade payables.

Our net current assets increased by 30.6% from RMB2,491.7 million as of December 31, 2024 to RMB3,254.2 million as of December 31, 2025, primarily due to an increase of RMB765.9 million in inventories and an increase of RMB336.7 million in prepayments, other receivables and other assets, partially offset by a decrease of RMB310.2 million in financial assets at FVTPL.

Our net current assets increased by 1.3% from RMB3,254.2 million as of December 31, 2025 to RMB3,298.0 million as of June 30, 2026, primarily due to an increase of RMB457.2 million in inventories and an increase of RMB136.5 million in trade and bills receivables, partially offset by a decrease of RMB321.2 million in financial assets at FVTPL and a decrease of RMB212.8 million in cash and cash equivalents.

Assets

Property, Plant and Equipment

Our property, plant and equipment consisted of (i) machinery and equipment; (ii) transportation equipment; (iii) office equipment and others, and (iv) leasehold improvement.

The table below sets forth our property, plant and equipment by nature as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Machinery and equipment	15,797	18,699	23,569	26,806
Transportation equipment	1,016	789	482	388
Office equipment and others	13,145	15,246	19,539	38,733
Leasehold improvement	17,379	17,007	20,034	26,308
Total	47,337	51,741	63,624	92,235

Our property, plant and equipment increased by 9.3% from RMB47.3 million as of December 31, 2023 to RMB51.7 million as of December 31, 2024, primarily due to increased purchase of machinery and equipment, as well as increased office equipment and others, consistent with our business growth. Our property, plant and equipment increased by 23.0% from RMB51.7 million as of December 31, 2024 to RMB63.6 million as of December 31, 2025, primarily due to increased purchase of machinery and equipment, as well as office equipment and others, consistent with our business growth. Our property, plant and equipment increased by 45.0% from RMB63.6 million as of December 31, 2025 to RMB92.2 million as of June 30, 2026, primarily due to increased office equipment and others and leased properties in line with our business growth.

Right-of-use Assets

Our right-of-use assets consisted of leasehold buildings. Our right-of-use assets decreased by 8.4% from RMB116.3 million as of December 31, 2023 to RMB106.5 million as of December 31, 2024, primarily due to depreciation. Our right-of-use assets increased by 23.6% from RMB106.5 million as of December 31, 2024 to RMB131.6 million as of December 31, 2025, primarily due to the extension of certain existing leases, as well as newly added leases. Our right-of-use assets increased by 3.1% from RMB131.6 million as of December 31, 2025 to RMB135.6 million as of June 30, 2026, primarily reflecting our newly added leases.

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Intangible Assets

Our intangible assets consisted of software. Our intangible assets increased by 62.5% from RMB5.5 million as of December 31, 2023 to RMB8.9 million as of December 31, 2024 and further increased by 26.0% to RMB11.2 million as of December 31, 2025 and by 15.3% to RMB12.9 million as of June 30, 2026, primarily due to increased purchase of software, consistent with our business expansion.

Financial Assets at FVTOCI

Our financial assets at FVTOCI consisted of our investment in unlisted company. Our financial assets at FVTOCI were nil in both 2023 and 2024, and increased to RMB16.0 million as of December 31, 2025, due to our investment in a company developing audio and video cloud production and collaborative management platform. Our financial assets at FVTOCI increased by 15.1% from RMB16.0 million as of December 31, 2025 to RMB18.4 million as of June 30, 2026, primarily due to an increase in the fair value of our equity interest in the said company.

Inventories

Our inventories primarily consisted of (i) finished goods; (ii) raw material, and (iii) work in progress.

The table below sets forth our inventories by nature as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Finished goods	935,289	1,150,667	1,771,401	1,995,136
Raw materials	99,525	131,086	285,010	525,202
Work in progress	5,194	6,227	12,649	16,575
Less: provision for impairment	(44,158)	(53,338)	(68,545)	(79,193)
Total	995,850	1,234,642	2,000,515	2,457,720

Our inventories increased by 24.0% from RMB995.9 million as of December 31, 2023 to RMB1,234.6 million as of December 31, 2024, and further increased by 62.0% to RMB2,000.5 million as of December 31, 2025, primarily due to our proactive increase of stock levels for new product launches and surging sales across key categories. Our inventories increased by 22.9% from RMB2,000.5 million as of December 31, 2025 to RMB2,457.7 million as of June 30, 2026, primarily due to higher inventory levels of finished goods in line with our revenue growth, as well as our expanded direct procurement of components, particularly those used in our NAS products.

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The following table sets forth a summary on the aging analysis of inventories as at the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within 6 months	977,434	1,200,015	1,974,119	2,342,941
Over 6 months within 1 year	27,679	64,381	52,207	145,086
Over 1 years	34,895	23,584	42,734	48,886
Total.	1,040,008	1,287,980	2,069,060	2,536,913

We assess our inventories for impairment on an ongoing basis during the Track Record Period and write down inventories to their net realizable value when they become obsolete, damaged or expired, or when their selling prices decline and their net realizable value falls below cost. We believe we have made sufficient inventory provision during the Track Record Period, given that our inventory impairment policy remained consistent and there were no significant market fluctuations throughout the period. As of December 31, 2023, 2024 and 2025 and June 30, 2026, the provision for impairment of inventories amounted to RMB44.2 million, RMB53.3 million, RMB68.5 million and RMB79.2 million, respectively.

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Inventory turnover days	104.5	104.4	98.1	112.1

Note: We calculate inventory turnover days using the average of the beginning and ending net carrying amount of total inventories for a period, divided by the corresponding total cost of sales for the same period, multiplied by the number of days in such period (i.e. 365 days for a calendar year and 180 days for the six months ended June 30, 2026).

Our inventory turnover days remained relatively stable at 104.5 days and 104.4 days in 2023 and 2024. Our inventories turnover days decreased to 98.1 days in 2025, primarily attributable to rapid revenue growth, which accelerated the turnover of inventory. Our inventories turnover days increased to 112.1 days for the six months ended June 30, 2026, primarily attributable to the increased inventory level of raw materials and finished goods to support the sales growth, particularly for our NAS products. Our inventory turnover days are longer than those of certain companies with distribution-centric sales models. This is because direct sales accounted for over 60% of our total revenue during the Track Record Period, whereas such companies primarily sell to distributors who maintain their own inventory reserves. In addition, among our sales to online retailers, a relatively higher proportion of revenue was derived from JD self-operated stores, which are subject to relatively longer settlement periods. Furthermore, we utilize a flexible hybrid production model that consists of in-house production, where we need to procure and maintain a certain level of raw material as well as work-in-progress, which also slows down the overall inventory turnover. As of December 31, 2023, 2024 and 2025 and June 30, 2026, the aging profile of our inventories remained healthy, with 94.0%, 93.2%, 95.4% and 92.4% of total inventories aged within six months, respectively. During the Track Record Period, we have maintained relatively optimal inventory levels without substantial risk of inventory obsolescence.

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As of July 31, 2026, RMB620.0 million, or 24.4% of our inventories outstanding as of June 30, 2026, had been subsequently sold or utilized.

Trade and Bills Receivables

The following table sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Trade receivables	144,572	103,674	365,416	509,799
Bills receivables	–	1,269	991	294
Less: allowance for impairment . .	(7,235)	(5,293)	(19,569)	(26,763)
Total trade and bills receivables . .	137,337	99,650	346,838	483,330

Our trade and bills receivables decreased by 27.4% from RMB137.3 million as of December 31, 2023 to RMB99.7 million as of December 31, 2024, primarily due to the timing of collections from a major e-commerce platform customer in 2023, which was affected by the New Year holiday. Our trade and bills receivables increased by 248.1% from RMB99.7 million as of December 31, 2024 to RMB346.8 million as of December 31, 2025, primarily due to (i) the rapid growth of our overseas revenue and our strategic shift from prepayment to granting credit terms to selected overseas offline distributors to capture market share and attract long-term collaborations; and (ii) the timing of collections from a major e-commerce platform customer in 2025. Our trade and bills receivables increased by 39.4% from RMB346.8 million as of December 31, 2025 to RMB483.3 million as of June 30, 2026, primarily due to increased balance of trade receivables resulting from our sales growth, including the increase in receivables from Amazon, as most of our major promotional campaigns in 2026 took place in June, compared with July in 2025.

During the Track Record Period, our typical credit term is from 30 to 60 days. The following table sets forth the aging analysis of our trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within 1 year	144,437	101,913	363,510	508,394
Over 1 year but within 2 years . .	135	1,652	1,702	1,139
Over 2 years but within 3 years . .	–	109	204	159
Over 3 years	–	–	–	107
Total trade receivables	144,572	103,674	365,416	509,799

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Trade receivables turnover days . .	7.6	7.0	8.6	12.8

Note: We calculate trade receivables turnover days using the average of the beginning and ending net carrying amount of total trade receivables for a period, divided by the corresponding total revenue for the same period, multiplied by the number of days in such period (i.e. 365 days for a calendar year and 180 days for the six months ended June 30, 2026).

Our trade receivables turnover days remained relatively stable at 7.6 days and 7.0 days in 2023 and 2024. Our trade receivable turnover days slightly increased to 8.6 days in 2025, and further increased to 12.8 days for the six months ended June 30, 2026 primarily due to the growth of our trade receivables.

During the Track Record Period, we recorded relatively prolonged cash conversion cycles. See “Risk Factors — Risks Related to our Business and Industry — We may be exposed to liquidity risks as a result of a long cash conversion cycle.” We closely monitor our cash conversion cycle and have implemented multi-layered approaches to optimize our working capital position. We proactively maintained a healthy aging profile of our inventory and trade receivables through dynamic inventory management and active collections. We have also maintained a robust level of cash and cash equivalents, which provides a solid liquidity buffer for our ordinary operations and other capital requirements. Meanwhile, the continuous expansion of our market presence lays a robust foundation for our overall cash recirculation without seeking interest-bearing borrowings. Accordingly, our Directors are of the view that the relatively prolonged cash conversion cycle did not have and is not expected to have a material adverse impact on our operations and financial position.

As of July 31, 2026, RMB403.2 million, or 79.1% of our trade receivables outstanding as of June 30, 2026, had been subsequently settled. During the Track Record Period and up to the Latest Practicable Date, we did not have any material recoverability issue for our trade receivables and sufficient provisions have been made.

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Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consisted of (i) prepayment for acquisition of long-term assets and services; (ii) deposits receivables; (iii) VAT recoverable; (iv) prepayments for materials and services. The following table sets forth a breakdown of our other receivables and prepayments as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Non-current				
Prepayment for acquisition of long-term assets and services . .	6,456	4,632	9,287	7,792
Prepayment for acquisition of a subsidiary	—	—	—	106,000
Long-term receivables	297	604	1,094	862
	<u>6,753</u>	<u>5,236</u>	<u>10,381</u>	<u>114,654</u>
Current				
Other receivables				
Deposits receivables	15,622	18,594	52,769	98,944
Tax rebate receivables	—	—	174,988	—
Others	2,397	3,459	15,585	14,558
Less: allowance for impairment . .	(970)	(1,103)	(3,469)	(5,771)
	<u>17,049</u>	<u>20,950</u>	<u>239,873</u>	<u>107,731</u>
VAT recoverable	56,607	75,401	134,392	166,170
Prepayments for materials and services	26,565	22,791	62,142	70,316
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Right of return assets	4,248	4,684	10,073	15,263
Others	8,389	11,207	16,745	23,977
	<u>120,752</u>	<u>135,033</u>	<u>471,694</u>	<u>406,370</u>
Total	<u>127,505</u>	<u>140,269</u>	<u>482,075</u>	<u>521,024</u>

Our prepayments, other receivables and other assets increased by 10.0% from RMB127.5 million as of December 31, 2023 to RMB140.3 million as of December 31, 2024 and further increased by 243.7% to RMB482.1 million as of December 31, 2025, primarily due to the timing of the receipt of export tax rebate for the second half of 2025 and an increase in VAT recoverable. Our prepayments, other receivables and other assets increased by 8.1% from RMB482.1 million as of December 31, 2025 to RMB521.0 million as of June 30, 2026, primarily due to the prepayment for acquisition of Zhongzhi.

As of July 31, 2026, RMB182.2 million, or 34.6% of our prepayments, other receivables and other assets outstanding as of June 30, 2026, had been subsequently settled.

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Financial Assets at FVTPL

	As at December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Non-current				
– Transferrable large denomination certificates of deposits.	–	333,447	–	–
Current				
– Transferrable large denomination certificates of deposits.	–	50,226	50,797	–
– Structured deposits and bank wealth management products	–	691,314	380,516	110,152
	–	741,540	431,313	110,152
Total	–	1,074,987	431,313	110,152

Our financial assets at FVTPL consisted of structured deposits and bank wealth management products and transferrable large denomination certificates of deposits. Our financial assets at FVTPL increased from nil as of December 31, 2023 to RMB1,075.0 million as of December 31, 2024, decreased by 59.9% to RMB431.3 million as of December 31, 2025, and decreased by 74.5% to RMB110.2 million as of June 30, 2026, primarily due to movements in our holdings of our structured deposits, bank wealth management products and transferrable large denomination certificates of deposits.

Under our investment policy on the purchase of such financial assets, we employ a comprehensive set of internal policies and guidelines to manage our investments in order to monitor the investment risks associated with our portfolio of financial assets. In determining investment decisions on wealth management products, we take into account a number of factors, including general economic conditions and market environment, risk control and the creditworthiness of issuing financial institutions, our own working capital conditions and the expected returns or potential loss of the investment. Our Shareholders’ meeting reviews and approves the policy for cash management related to investments in wealth management products. The Board, and where the relevant prescribed monetary threshold is met, the Shareholders’ meeting approves the use of available cash by the Company and subsidiaries to purchase high-safety, low-risk, and high-liquidity wealth management products from financial institutions. Our management reviews and approves investment decisions related to the purchase of wealth management products and is responsible for signing relevant agreements. Members of our Board and our senior management collectively possess extensive industry experience and financial management expertise, which enable them to effectively oversee these investments. See “Directors and Senior Management” for details. Qualified financial personnel from our finance team are responsible for executing investments in wealth management products in accordance with the relevant agreements and our policies.

Upon [REDACTED], our investment in such financial assets will be subject to compliance with Chapter 14 of the Listing Rules.

Cash and Cash Equivalents

Our cash and cash equivalents were RMB992.3 million, RMB1,142.7 million, RMB1,386.5 million and RMB1,173.7 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively.

FINANCIAL INFORMATION

Liabilities

Trade Payables

Our trade payables increased by 55.7% from RMB355.8 million as of December 31, 2023 to RMB554.1 million as of December 31, 2024, and further increased by 45.4% to RMB805.6 million as of December 31, 2025, primarily due to our higher proactive inventory stocking as a result of our business expansion. Our trade payables decreased by 3.8% from RMB805.6 million as of December 31, 2025 to RMB775.0 million as of June 30, 2026, primarily due to a slight decrease in the value of purchases made in June 2026 compared with December 2025.

During the Track Record Period, the credit period granted to us by our suppliers is generally within 90 days. The following table sets forth the aging analysis of our trade payables based on the invoice date as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Within 1 year	355,568	553,737	805,420	775,031
Over 1 year but within 2 years . .	31	185	86	4
Over 2 years but within 3 years . .	152	4	22	7
Over 3 years	43	168	50	—
Total	355,794	554,094	805,578	775,042

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Trade payables turnover days. . .	39.4	42.6	41.2	39.7

Note: We calculate trade payables turnover days using the average of the beginning and ending balances of total trade payables for a period, divided by the corresponding cost of sales for the same period, multiplied by the number of days in such period (i.e. 365 days for a calendar year and 180 days for the six months ended June 30, 2026).

Our trade payables turnover days remained relatively stable at 39.4 days, 42.6 days, 41.2 days and 39.7 days in 2023, 2024 and 2025 and for the six months ended June 30, 2026, respectively.

As of July 31, 2026, RMB642.7 million, or 82.9% of our trade payables outstanding as of June 30, 2026, had been subsequently settled. During the Track Record Period and up to the Latest Practicable Date, we had no material defaults in our trade payables.

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Contract Liabilities

Our contract liabilities consisted of advance payments from customers. Our contract liabilities increased by 82.4% from RMB34.0 million as of December 31, 2023 to RMB62.0 million as of December 31, 2024, and further increased by 53.4% to RMB95.1 million as of December 31, 2025, and further increased by 17.1% to RMB111.3 million as of June 30, 2026, in line with our increased sales volume and business expansion.

As of July 31, 2026, RMB73.3 million, or 65.8% of our contract liabilities outstanding as of June 30, 2026, had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals represented (i) payroll and welfare payables; (ii) other tax liabilities; (iii) accrued expenses; (iv) deposits received; (v) [REDACTED], and (vi) others. The following table sets forth a breakdown of our other payables as of the dates indicated.

	As of December 31,			As of
	2023	2024	2025	June 30,
				2026
	<i>(RMB in thousands)</i>			
Payroll and welfare payables	97,082	123,877	206,219	205,501
Other tax liabilities	17,940	43,540	126,819	117,573
Accrued expenses	12,566	31,320	53,054	64,455
Deposits received	1,793	1,000	11,180	12,144
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	67	545	870	683
Total	129,448	200,282	402,303	402,444

Our other payables and accruals increased by 54.7% from RMB129.4 million as of December 31, 2023 to RMB200.3 million as of December 31, 2024, and further increased by 100.9% to RMB402.3 million as of December 31, 2025, primarily due to (i) an increase in our payroll and welfare payables in line with our business growth, and (ii) an increase in other tax liabilities, primarily due to our increased sales volume and business expansion. Our other payables and accruals remained relatively stable at RMB402.3 million and RMB402.4 million as of December 31, 2025 and June 30, 2026.

As of July 31, 2026, RMB191.2 million, or 47.5% of our other payables and accruals outstanding as of June 30, 2026, had been subsequently settled. During the Track Record Period and up to the Latest Practicable Date, we had no material defaults in our other payables and accruals.

Income Tax Payable

Our income tax payable was RMB21.2 million, RMB22.9 million, RMB46.3 million and RMB33.2 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operating activities. As of December 31, 2023, 2024 and 2025 and June 30, 2026, we had cash and cash equivalents of RMB992.3 million, RMB1,142.7 million, RMB1,386.5 million and RMB1,173.7 million, respectively.

The following table sets forth our cash flows for the years/periods indicated.

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Net cash flows generated from/(used in) operating activities	173,401	623,882	(35,329)	(70,009)
Net cash flows (used in)/generated from investing activities	(16,464)	(1,090,916)	571,884	184,598
Net cash flows (used in)/generated from financing activities	(45,052)	605,766	(299,191)	(291,577)
Net increase/(decrease) in cash and cash equivalents	111,885	138,732	237,364	(176,988)
Cash and cash equivalents at the beginning of the year/period	876,177	992,314	1,142,738	1,386,529
Effect of foreign exchange rate changes, net	4,252	11,692	6,427	(35,803)
Cash and cash equivalents at the end of the year/period	992,314	1,142,738	1,386,529	1,173,738

Net Cash Flows Generated from/(Used in) Operating Activities

For the six months ended June 30, 2026, net cash flows used in operating activities was RMB70.0 million, primarily attributable to our profit before income tax of RMB474.3 million, partially offset by income tax paid of RMB83.7 million, adjusted for certain non-cash and non-operating items. Adjustments primarily include changes in working capital, mainly attributable to (i) an increase in inventories of RMB506.0 million; (ii) an increase in trade and bills receivables of RMB121.5 million; (iii) a decrease in prepayments, other receivables and other assets of RMB67.6 million. The amount was further adjusted by other non-cash and non-operating items primarily including net impairment losses recognized on inventories of RMB48.8 million and depreciation of right-of-use assets of RMB22.4 million.

In 2025, net cash flows used in operating activities was RMB35.3 million, primarily attributable to our profit before income tax of RMB819.0 million, partially offset by income tax paid of RMB109.0 million, adjusted for certain non-cash and non-operating items. Adjustments primarily include changes in working capital, mainly attributable to (i) an increase in inventories of RMB812.5 million; (ii) an increase in prepayments, other receivables and other assets of RMB297.9 million; (iii) an increase in trade and bills receivables of RMB266.4 million; (iv) an increase in trade payables of RMB251.5 million; (v) an increase in other payables and accruals of RMB202.7 million. The amount was further adjusted by other non-cash and non-operating items primarily including net impairment losses recognized on inventories of RMB46.6 million.

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In 2024, net cash flows generated from operating activities was RMB623.9 million, primarily attributable to our profit before income tax of RMB525.0 million, partially offset by income tax paid of RMB67.3 million, adjusted for certain non-cash and non-operating items. Adjustments primarily include change in working capital, mainly attributable to (i) an increase in inventories of RMB277.6 million, (ii) an increase in trade payables of RMB198.3 million; (iii) an increase in other payables and accruals of RMB74.4 million. The amount was further adjusted by other non-cash and non-operating items primarily including share-based payment expenses of RMB40.3 million, net impairment losses recognized on inventories of RMB38.8 million and depreciation of right-of-use assets of RMB35.3 million.

In 2023, net cash flows generated from operating activities was RMB173.4 million, primarily attributable to our profit before income tax of RMB445.6 million, partially offset by income tax paid of RMB57.5 million, adjusted for certain non-cash and non-operating items. Adjustments primarily include change in working capital, mainly attributable to (i) an increase in inventories of RMB291.7 million, (ii) an increase in trade and bills receivables of RMB84.5 million; (iii) an increase in trade payables of RMB57.4 million. The amount was further adjusted by other non-cash and non-operating items primarily including net impairment losses recognized on inventories of RMB35.2 million and depreciation of right-of-use assets of RMB35.1 million.

Net Cash Flows (Used in)/Generated from Investing Activities

For the six months ended June 30, 2026, net cash flows generated from investing activities was RMB184.6 million, primarily attributable to proceeds from disposals of financial assets at fair value through profit or loss of RMB982.3 million, partially offset by purchase of financial assets at fair value through profit or loss of RMB662.0 million and prepayment made for acquisition of a subsidiary of RMB91.0 million.

In 2025, net cash flows generated from investing activities was RMB571.9 million, primarily attributable to proceeds from disposals of financial assets at fair value through profit or loss of RMB3,621.3 million, partially offset by purchase of financial assets at fair value through profit or loss of RMB2,981.7 million.

In 2024, net cash flows used in investing activities was RMB1,090.9 million, primarily attributable to proceeds from disposals of financial assets at fair value through profit or loss of RMB1,910.7 million, partially offset by purchase of financial assets at fair value through profit or loss of RMB2,980.7 million.

In 2023, net cash flows used in investing activities was RMB16.5 million, primarily attributable to proceeds from disposals of financial assets at fair value through profit or loss of RMB2,990.0 million, partially offset by purchase of financial assets at fair value through profit or loss of RMB2,990.0 million and purchase of property, plant and equipment and intangible assets of RMB23.9 million.

Net Cash Flows (Used in)/Generated from Financing Activities

For the six months ended June 30, 2026, net cash flows used in financing activities was RMB291.6 million, primarily consists of dividends paid to the shareholders of the Company of RMB248.9 million.

In 2025, net cash flows used in financing activities was RMB299.2 million, primarily consists of dividends paid to the shareholders of the Company of RMB248.9 million.

In 2024, net cash flows generated from financing activities was RMB605.8 million, primarily attributable to proceeds from issue of shares of RMB808.2 million, partially offset by dividends paid to the shareholders of the Company of RMB124.5 million.

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In 2023, net cash flows used in financing activities was RMB45.1 million, primarily consists of payments for leases of RMB40.0 million.

INDEBTEDNESS

As of December 31, 2023, 2024 and 2025 and June 30, 2026, being the Indebtedness Date for the purpose of the indebtedness statement, we had total indebtedness, consisting of lease liabilities, in the amount of RMB127.1 million, RMB118.2 million, RMB147.2 million and RMB153.0 million, respectively. As of December 31, 2023, 2024 and 2025 and June 30, 2026, we did not record any interest-bearing bank loans or unutilised banking facilities.

The following table sets out our lease liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Current portion	31,887	22,698	40,499	47,262
Non-current portion	95,182	95,540	106,715	105,736
Total	127,069	118,238	147,214	152,998

Our lease liabilities decreased by 6.9% from RMB127.1 million as of December 31, 2023 to RMB118.2 million as of December 31, 2024, primarily due to the existing leases moving closer to expiration. Our lease liabilities increased by 24.5% from RMB118.2 million as of December 31, 2024 to RMB147.2 million as of December 31, 2025, primarily due to the extension of certain existing leases, as well as newly added leases. Our lease liabilities increased by 3.9% from RMB147.2 million as of December 31, 2025 to RMB153.0 million as of June 30, 2026, primarily reflecting our newly added leases.

Save as disclosed above, as of December 31, 2023, 2024 and 2025 and June 30, 2026, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings and other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities, and we were not subject to any material covenants and undertakings relating to our outstanding debts, guarantees, pledge of key assets or other contingent liabilities. We did not have any material defaults in repayment of indebtedness or breaches of financing covenants during the Track Record Period and up to the Latest Practicable Date, and accordingly did not experience any difficulty in obtaining additional debt or equity financing as a result of any such defaults or breaches. Our Directors confirm that there has not been any material change in our indebtedness since June 30, 2026 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of our Group.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

During the Track Record Period, we did not have any material capital expenditure.

Going forward, we intend to make capital expenditures to meet the expected growth of our business and our expansion plan. See “Future Plans and [REDACTED].” We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operation activities and [REDACTED] from the [REDACTED].

CAPITAL COMMITMENTS

As of December 31, 2023, 2024 and 2025, we have no material capital commitments. As of June 30, 2026, capital commitments contracted but not provided for in relation to acquisition of a subsidiary were RMB170.0 million.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the years/periods indicated.

	As of/For the year ended December 31,			As of/For the six months ended June 30,
	2023	2024	2025	2026
Gross profit margin ⁽¹⁾	36.9%	36.8%	36.5%	38.4%
Net profit margin ⁽²⁾	8.2%	7.5%	7.4%	7.4%
Current ratio ⁽³⁾	3.9	3.9	3.3	3.4
Quick ratio ⁽⁴⁾	2.2	2.5	1.9	1.6
Gearing ratio ⁽⁵⁾	7.2%	4.0%	4.3%	4.3%

Notes:

- (1) Gross profit margin represents gross profit for the year/period as a percentage of total revenue in 2023, 2024, and 2025 and the six months ended June 30, 2026.
- (2) Net profit margin represents profit for the year/period as a percentage of total revenue in 2023, 2024, and 2025 and the six months ended June 30, 2026.
- (3) Current ratio is calculated as total current assets divided by total current liabilities, as of December 31, 2023, 2024, and 2025 and June 30, 2026.
- (4) Quick ratio is calculated as total current assets less inventories divided by total current liabilities, as of December 31, 2023, 2024, and 2025 and June 30, 2026.
- (5) Gearing ratio is calculated as total debts divided by total equity, as of December 31, 2023, 2024 and 2025 and June 30, 2026 and multiplied by 100%. Total debts of the Group are defined to include lease liabilities.

See “Period-to-Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we did not enter into any related party transactions.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks, including foreign currency risk, price risk, credit risk, liquidity risk and capital management. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 37 to the Accountants’ Report in Appendix I to this Document for a detailed description of our financial risk management.

DIVIDENDS AND DIVIDEND POLICY

Our Company has paid dividends to our Shareholders of nil and RMB124.5 million, RMB248.9 million and RMB248.9 million in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. See Note 12 to the Accountants’ Report in Appendix I to this Document.

After completion of the [REDACTED], our Shareholders will be entitled to receive any dividends we declare. We may distribute dividends by way of shares or cash, or a combination of both shares and cash. Pursuant to applicable laws in the PRC, our Articles of Association and a shareholder return plan for the three years after the [REDACTED] of our Company on Shenzhen Stock Exchange in July 2024 approved by our Shareholders in April 2022, which serves as our formal dividend policy, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. We will, in principle, distribute cash dividends to our Shareholders at least on an annual basis unless the profit distribution conditions are not met in accordance with our Articles of Association and the applicable laws and regulations in the PRC and Hong Kong. We shall distribute cash dividends in an aggregate amount of not less than 30% of the average annual distributable profits over each consecutive three-year period. Furthermore, provided that the specific conditions for cash dividends are met, we shall distribute annual cash dividends of not less than 10% of the distributable profits generated in the relevant fiscal year. We currently do not have any fixed dividend payout ratio. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by the Shareholders’ meeting. There is no assurance that dividends will be declared or paid in any particular amount for any financial year.

Our future declarations of dividends may not be in line with our historical declaration of dividends and will be subject to the approval by the Shareholders’ meeting. See “Risk Factors — Risks Related to the [REDACTED] — Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future” in this Document.

DISTRIBUTABLE RESERVES

As of June 30, 2026, our Company had distributable reserves of RMB1,563.4 million which are available for distribution to our Shareholders.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including our net operating cash flow, cash and cash equivalents on hand and available banking facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this Document.

We recorded operating cash outflow of RMB35.3 million in 2025, primarily attributable to (i) our business expansion and sales growth, leading to proactive inventory stocking to support new product launches and surging sales across key categories, causing increases in inventories as well as trade receivables; (ii) our strategic shift from requiring prepayment to granting credit terms to selected overseas offline distributors to capture market share and attract long-term collaboration, leading to increase in trade receivables, as reflected by the 79.4% increase in revenue generated from overseas offline distribution from 2024 to 2025; and (iii) receipts of certain trade receivables from a major e-commerce platform customer in January 2026, which were within ordinary collection timeframe and did not indicate any heightened credit or collection risk, together with export tax rebates, amounting to RMB263.4 million.

We recorded operating cash outflow of RMB70.0 million for the six months ended June 30, 2026, primarily attributable to (i) our proactive inventory stocking in line with our business expansion and sales growth, causing increases in inventories as well as trade receivables; (ii) increased receivables from overseas offline distributors as their sales continued to grow under the credit terms introduced in 2025, as reflected by the 68.6% increase in revenue generated from overseas offline distribution from the six months ended June 30, 2025 to the six months ended June 30, 2026; and (iii) an increase in trade receivables from Amazon, as most of our major promotional campaigns in 2026 took place in June, compared with July in 2025.

While we achieved a robust net profit of RMB703.5 million in 2025 and RMB432.2 million for the six months ended June 30, 2026, representing a year-on-year growth of 52.8% and 58.0%, respectively, our operating cash flow was temporarily compressed by the increase in working capital requirements to facilitate our business expansion. As of July 31, 2026, (i) RMB620.0 million, or 24.4%, of our inventories, (ii) RMB182.2 million, or 34.6%, of our prepayments, other receivables and other assets, and (iii) RMB403.2 million, or 79.1%, of our trade receivables outstanding as of June 30, 2026 had been subsequently settled. Therefore, our Directors are of the view that the net cash outflow from operating activities is a structural byproduct of our hyper-growth phase rather than a reflection of underlying profitability issues.

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To improve our net operating cash outflow position, we have continued to implement liquidity management measures, including prudent cash flow operations and budgeting, collaboration with the sales team, adoption of rolling budgets and active follow-up on customer payments. In particular, given that our operating cash outflows were mainly attributable to working capital requirements in relation to inventories and trade receivables, we have taken targeted measures to improve our cash conversion cycle. With respect to inventories, as NAS and power bank products accounted for a substantial portion of our inventories, we have strengthened inventory planning and procurement control by prudent procurement planning and close collaboration with our sales team to monitor inventory levels, customer demand and sales performance on a rolling basis. In addition, as we continue to upgrade our products and enhance their competitiveness, we expect to drive sales growth, accelerate inventory turnover and improve cash collection, thereby facilitating faster cash conversion and improving our operating cash flow position. With respect to trade receivables, as the relatively long trade receivables turnover period was mainly attributable to certain overseas offline customers, we have enhanced our collection management by maintaining regular communication with such customers on payment schedules and actively following up on outstanding balances.

[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the [REDACTED] of the indicative [REDACTED] range stated in this Document) and that the [REDACTED] is not exercised, the [REDACTED], [REDACTED], together with the [REDACTED], SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the [REDACTED], which are payable by us are estimated to be approximately HK\$[REDACTED] million, of which HK\$[REDACTED] million are expected to be charged to our consolidated statements of comprehensive income for the year ending December 31, 2026, and HK\$[REDACTED] million are expected to be deducted from equity following the [REDACTED]. The [REDACTED] consist of HK\$[REDACTED] million [REDACTED] expenses and HK\$[REDACTED] million [REDACTED] expenses (including fees and expenses of legal advisors and the reporting accountant of HK\$[REDACTED] million and other fees and expenses of HK\$[REDACTED] million), representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]. The [REDACTED] above are the latest practicable estimate and are provided for reference only, and actual amounts may differ.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information.”

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since June 30, 2026 (being the end date of the periods reported on in the Accountants’ Report in Appendix I to this Document) and up to the date of this Document, there has been no material adverse change in our financial or trading position and there is no event which would materially affect the information shown in our consolidated financial information included in the Accountants’ Report in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this Document, 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.