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Application Proof of

Eternal Beauty Holdings Limited

穎通控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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Eternal Beauty Holdings Limited 穎通控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total Number of [REDACTED] under the [REDACTED] : [REDACTED] Shares (comprising [REDACTED] Shares and [REDACTED] Shares, and subject to the [REDACTED])

Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])

Number of [REDACTED] : [REDACTED] Shares (comprising [REDACTED] Shares and [REDACTED] Shares, and subject to the [REDACTED] and [REDACTED])

[REDACTED] : HK\$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)

Nominal Value : HK\$0.001 per Share
[REDACTED] : [●]

Joint Sponsors, [REDACTED]



BNP PARIBAS



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The [REDACTED] is expected to be fixed by agreement by the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company (for ourselves and on behalf of the [REDACTED]) on the [REDACTED]. The [REDACTED] is expected to be on or about [REDACTED] (Hong Kong time) and, in any event, not later than 12:00 noon on, [REDACTED] (Hong Kong time) (unless otherwise determined among the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company (for ourselves and on behalf of the [REDACTED])). The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. If, for any reason, the [REDACTED] is not agreed by 12:00 noon on, [REDACTED] (Hong Kong time) between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company (for ourselves and on behalf of the [REDACTED]), the [REDACTED] will not become unconditional and will lapse immediately. Applicants for [REDACTED] may be required to pay, on application (subject to application channels), the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.00565% and an AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] as finally determined is less than HK\$[REDACTED].

The [REDACTED], on behalf of the [REDACTED], and with the consent of our Company and the [REDACTED] may, where considered appropriate, reduce the number of [REDACTED] and/or the indicative [REDACTED] range below that is stated in this document (which is HK\$[REDACTED] to HK\$[REDACTED]) at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Such notices will also be available on the website of our Company at www.eternal.hk and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the [REDACTED] in respect of the [REDACTED], the Joint Sponsors and the [REDACTED], acting for themselves and on behalf of the [REDACTED], have the right in certain circumstances, in its absolute discretion, to terminate the obligation of the [REDACTED] pursuant to the [REDACTED] at any time prior to 8:00 a.m. on the [REDACTED]. Further details of the terms of the termination provisions are set out in the section headed "[REDACTED] — [REDACTED] Arrangements and Expenses — [REDACTED] — Grounds for Termination" in this document. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold in the United States, or to or for the account or benefit of any U.S. person (as defined in Regulation S), except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] may be offered, sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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EXPECTED TIMETABLE	iv
CONTENTS	viii
SUMMARY	1
DEFINITIONS	19
GLOSSARY OF TECHNICAL TERMS	35
FORWARD-LOOKING STATEMENTS	37
RISK FACTORS	39
WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES	78
INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]	81
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]	86

CONTENTS

CORPORATE INFORMATION	90
INDUSTRY OVERVIEW	92
REGULATORY OVERVIEW	113
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE	141
BUSINESS	152
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS	233
CONTINUING CONNECTED TRANSACTIONS	243
DIRECTORS AND SENIOR MANAGEMENT	245
SUBSTANTIAL SHAREHOLDERS	258
SHARE CAPITAL	259
FINANCIAL INFORMATION	263
FUTURE PLANS AND USE OF [REDACTED]	324
[REDACTED]	329
STRUCTURE OF THE [REDACTED]	346
HOW TO APPLY FOR [REDACTED]	357
APPENDIX I — ACCOUNTANT’S REPORT	I-1
APPENDIX II — UNAUDITED [REDACTED] FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLAND COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OUR VISION

We aim to become a leading brand management group in Asia by continuously curating iconic brands and make them thrive. Our mission is to fuel consumers’ pursuit and enjoyment of an exquisite and beautiful life.

OVERVIEW

We are the largest brand management company of perfumes in the combined markets of mainland China, Hong Kong and Macau in terms of retail sales in 2023. We have a large and diverse portfolio of iconic brands of not only perfumes, but also color cosmetics, skincare products, personal care products, eyewear and home fragrances under management. We achieved a leading position for perfumes in the combined markets of mainland China, Hong Kong and Macau as a result of our long operating history, through which we gained extensive knowledge in the perfume industry in these markets, and accumulated pertinent expertise and abundant resources for the management and promotion of numerous international perfume brands. According to Frost & Sullivan, we are the third largest perfume group in the combined markets of mainland China, Hong Kong and Macau in terms of retail sales in 2023. We were also the only brand management company of perfumes among the top five perfume groups in both mainland China’s market and the combined markets of mainland China, Hong Kong and Macau in terms of retail sales in 2023.

Leveraging our market leading position, deep industry know-how and valuable experience in China’s perfume industry, we are well-positioned to benefit from the expected growth of the perfumes market in China. China’s perfumes market sustained rapid growth in recent years and has the potential to further expand, mainly due to the lower penetration of perfumes in China and its large population size compared with other developed countries, according to Frost & Sullivan. We believe we will continue to capitalize on the market opportunity brought by the emerging olfactory economy (嗅覺經濟) in China by curating perfume brands that offer diversified personalities and aesthetic values to consumers in a variety of consumption scenarios.

SUMMARY

We gradually accumulated outstanding brand management capabilities for introducing and managing various globally leading brands in mainland China, Hong Kong and Macau during our extended operation, which enabled us to address the challenges faced by the global brands in respect of its go-to market strategy, distribution network planning and consumer catering tactics in these markets. Our brand management capabilities are supported by our deep market insights, extensive omni-channel network, experienced teams of professionals and strong supply chain management capabilities, all of which were acquired through our early penetration in the perfumes market in China, on-the-ground local presence and continuous capital investments and business relationship maintenance and expansion. Such comprehensive brand management capabilities also enabled us to build and maintain a strong, stable and win-win relationship with our brand licensors, which can further strengthen the multi-layered market entry barriers. We believe they cannot be easily replicated by our competitors.

Our reputation among the world’s leading brands enabled us to be the partner-of-choice for a number of brand licensors who are looking to enter into or expand their brands’ presence in mainland China, Hong Kong and Macau. Such long-term business relationships enabled us to curate iconic brands and attractive products in our portfolio. As of the Latest Practicable Date, we have a total of 63 brands under management, including Hermès, Van Cleef & Arpels, Chopard, Albion and Laura Mercier which cover diverse and versatile pricing tiers and features catering to differentiated demands of the consumers in mainland China, Hong Kong and/or Macau. For details, please see the section headed “— Brands and Products” in this document. During the Track Record Period, a significant number of the brand licensors we work with have granted us exclusivity in terms of the selected products, channels and territories of distribution. We believe these exclusive licenses and sub-licenses showcased the trust the brand licensors have in us, and solidified our competitive advantage over our competitors.

We offer a comprehensive sales and distribution network covering almost all possible access for perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances in mainland China, Hong Kong and Macau. As of the Latest Practicable Date, we had more than 7,500 offline POSs in over 400 cities in mainland China, Hong Kong and Macau. In addition to offline sales channels, we also sell products online via well-known e-commerce platforms and social media platforms in mainland China, Hong Kong and Macau. Such large and omni-channel sales and distribution network helps us maintain a growing consumer base in the evolving market environment, maximizes the value of our consumers by allowing them to enjoy seamless and convenient shopping experience; and enables us to address the demands from a large group of consumers with varying ages, spending powers and product preferences. Our well-balanced sales and distribution network covering both online and offline channels also enabled us to adjust our sales approaches flexibly in response to the changes that may affect our business and industries.

SUMMARY

During the Track Record Period, we have maintained steady growth of our business and results of operations. Our revenue increased from RMB1,674.7 million for the year ended March 31, 2022 to RMB1,699.1 million for the year ended March 31, 2023, and further to RMB1,863.8 million for the year ended March 31, 2024. Similarly, our net profit grew from RMB170.9 million for the year ended March 31, 2022 to RMB173.1 million for the year ended March 31, 2023, and further to RMB206.5 million for the year ended March 31, 2024. We managed 47, 49 and 59 brands for the years ended March 31, 2022, 2023 and 2024, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors: (i) we maintain a leading position for perfumes in the combined markets of mainland China, Hong Kong and Macau; (ii) we maintain a clear focus on the structurally growing and resilient olfactory economy in China to capture strategic market opportunities; (iii) we developed outstanding brand management capabilities, which impose significant market entry barriers for our competitors; (iv) we are the long-term partner-of-choice for the leading global brands; (v) we have a large and multi-layered customer base comprising an omni-channel sales and distribution network to continuously reach wider group of consumers; and (vi) we are led by a visionary management team, promoting a people-centric corporate culture.

OUR BUSINESS STRATEGIES

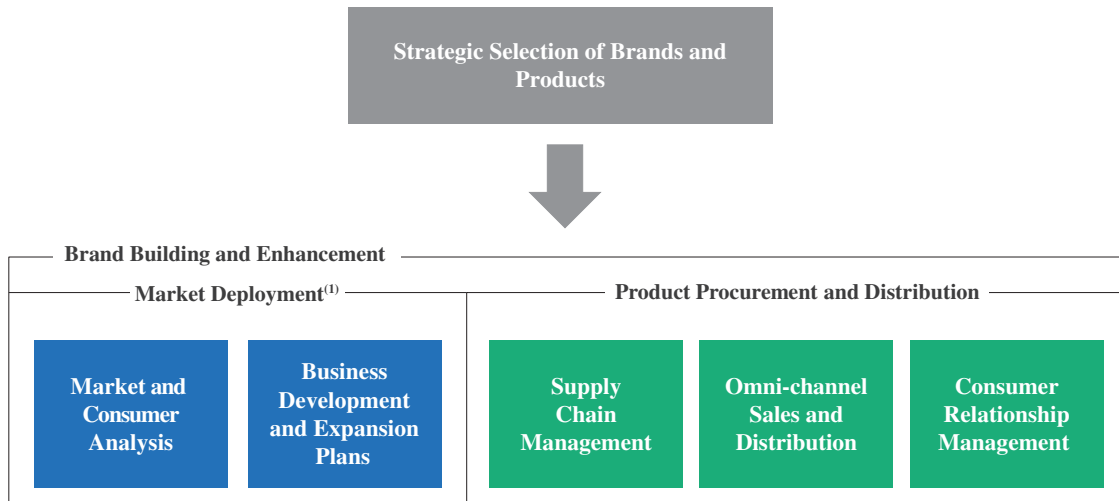
We are committed to maintaining our leading position in the combined perfumes market in mainland China, Hong Kong and Macau, and continuing to be the long-term partner-of-choice for the leading global brands. To achieve our objective, we plan to implement the following key strategies: (i) strengthen our market leading position through optimizing, broadening and diversifying our brand and product portfolios; (ii) extend our consumer reach through continued investment in our self-operated retailer channel; (iii) accelerate digital transformation to streamline our business operations and strengthen the support for our full-cycle consumer management program; and (iv) enhance the recognition and industry-leading reputation of our Group.

OUR BUSINESS MODEL

We manage and operate global brands covering the entire business process, including strategic selection of brand and product, formulation of market entry and expansion plans, product procurement, inventory management, logistics, warehousing, marketing, sales and distribution, and CRM. Accordingly, we occupy an important segment in the global industrial value chain for perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. Our business primarily comprises two key components that enable global brands to gain a foothold and continue to expand their presence and penetration in mainland China, Hong Kong and Macau, namely, (i) brand building and enhancement, in which we design and implement customized market entry and expansion plans for brands; and (ii) procurement and distribution of their branded products in mainland China, Hong Kong and Macau, in which we distribute the products to a wide range of consumers through our omni-channel sales and distribution network.

SUMMARY

The following diagram illustrates the business model of our primary business during the Track Record Period:



Note:

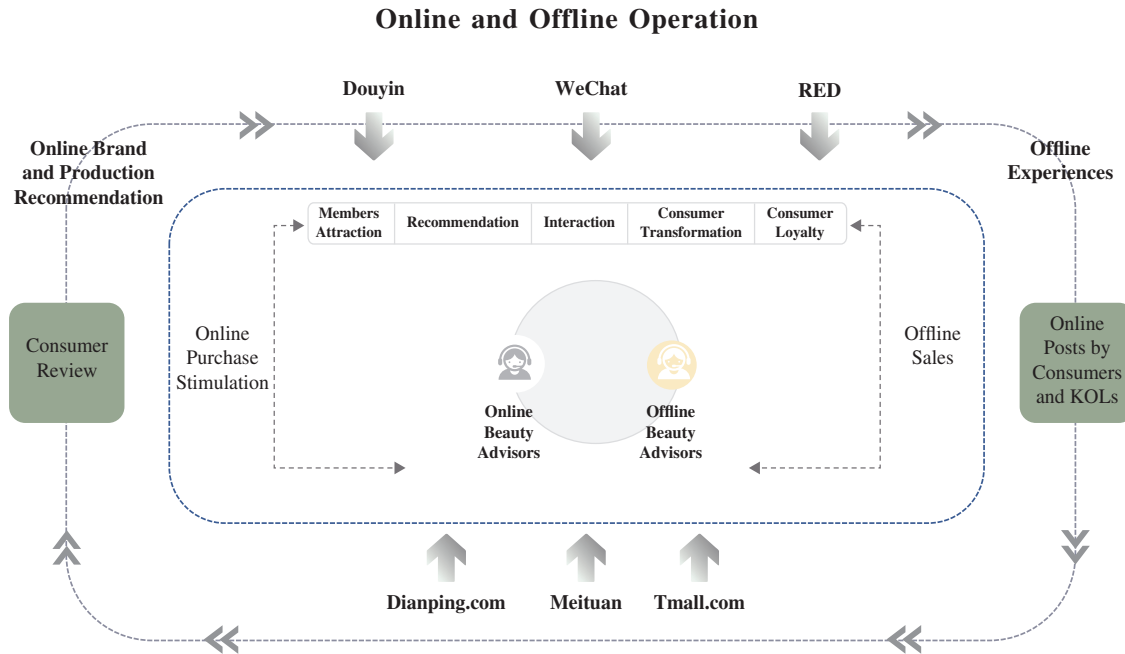
- (1) We do not generate any revenue from the services associated with market deployment, including market and consumer analysis and business development and expansion plans. They are complementary to the brand management services we provide to the brand licensors, and primarily serve the purpose of strengthening our relationship with brand licensors and enhancing their brand value. The expenses we incurred in connection with the complementary services associated with market deployment were primarily recorded as our selling and distribution expenses in our combined financial statements during the Track Record Period.

Specifically, we conduct our business in the following key steps:

- *Strategic selection of brands and products* — We discover reputable international brands with high potential that are in line with our growth and development strategies. We primarily act as the exclusive distributor of our brand licensors in mainland China, Hong Kong and/or Macau, in which we obtain (i) exclusive license from the brand owners to manage their brands for specified products; or (ii) exclusive sub-license from the primary licensees of the brand owners to manage the brands involving certain specified products that they are licensed to produce and distribute. Our license from the brand owners or sub-license from the primary licensees generally specify the territories, products and/or sales channels in which our exclusive distribution may occur. For details of our business relationship with brand licensors, please refer to the section headed “Business — Suppliers — Brand Licensors” in this prospectus.
- *Brand building and enhancement* — We conduct market deployment and product procurement and distribution. With respect to market deployment, we primarily carry out market and consumer analysis and the formulation and implementation of business development and expansion plans. With respect to product procurement and distribution, we conduct supply chain management, omni-channel sales and distribution covering both online and offline scenarios, and consumer relationship management. Please refer to the section headed “Business — Our Business Model — Brand Building and Enhancement” in this document for details.

SUMMARY

We implement marketing and distribution plans through our integrated online and offline operations, which leverages our existing omni-channel resources to continuously transform our marketing efforts into sales and distribution opportunities. The diagram below sets forth the details of our online and offline operation.



BRANDS AND PRODUCTS

External Brands

We primarily manage global brands of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. The products we sell are primarily procured from the brand licensors that are mainly based in Europe, Japan and the United States. As of the Latest Practicable Date, our external brand portfolio consisted of 63 brands. Certain of the brands we manage offer more than one category of products during the Track Record Period.

The table below sets forth a breakdown of our revenue by product category for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Perfumes ⁽¹⁾	1,495,512	89.3	1,504,184	88.5	1,523,737	81.7
Skincare products	73,223	4.4	87,136	5.1	114,355	6.1
Color cosmetics.	64,633	3.9	67,932	4.0	193,008	10.4
Eyewear	3,686	0.2	7,679	0.5	21,458	1.2
Others ⁽²⁾	37,600	2.2	32,213	1.9	11,203	0.6
Total	<u>1,674,654</u>	<u>100.0</u>	<u>1,699,144</u>	<u>100.0</u>	<u>1,863,761</u>	<u>100.0</u>

SUMMARY

Notes:

- (1) The revenue generated from our sales of personal care products and home fragrances was recorded under “perfumes” during the Track Record Period, because some of the perfume brands we manage also offered personal care products and/or home fragrances, and the amount of revenue generated from our sales of these products was insignificant during the Track Record Period.
- (2) During the Track Record Period, we operated and managed the daily operation of the online and offline stores of certain of our customers under their brand names, and charged a service fee in connection therewith. Others mainly include the service income derived from the charges arising from such agency services.

We are one of the leaders in China’s perfume industry. We manage a diverse portfolio of perfume products from a number of well-known global brands. The perfumes we manage and sell cover a wide variety of price levels, including entry-prestige perfumes (prices at or less than RMB599 per 50ml), prestige perfumes (prices ranging from RMB600 to RMB1,199 per 50 ml) and luxury perfumes (prices at or above RMB1,200 per 50 ml). To make the perfume products we sell attractive and accessible to consumers with different tastes and preferences in scents, we also offer perfumes containing all spectrums of scent profile, including floral notes, oriental notes, woody notes and fresh notes. As of the Latest Practicable Date, we offered perfumes sourced from 48 external brands.

We started to manage skincare brands in China since 1987. We have been managing Albion, a high-end Japanese skincare brand in Hong Kong since 2014, and Dr. Babor, a high-end skincare brand headquartered in Germany, through a joint venture for the distribution of its skincare products in mainland China. As of the Latest Practicable Date, we primarily offered cleansers, moisturizers, essence, cream, face masks, lotion and eye cream sourced from 16 external brands.

We also manage selected color cosmetics brands with promising growth potential. The color cosmetics brands that we have the exclusive license to distribute their products in mainland China include Laura Mercier and Elegance. As of the Latest Practicable Date, we primarily offered foundation, lip sticks, blushes and eye shadow sourced from eight external brands.

In addition, a number of brands under our management that offer perfumes also offer personal care products. To expand our sales in personal care products, in January 2024, we started to manage Acca Kappa, a world-class Italian personal care brand featuring traditional Italian hand-made techniques, in mainland China. As of the Latest Practicable Date, we primarily offered body and hair products, toothpaste, combs and toothbrushes sourced from 11 external brands.

We started to manage eyewear since 1987. As of the Latest Practicable Date, we primarily offered spectacles and sunglasses sourced from five external brands.

SUMMARY

Drawing upon our success and experience in managing perfume brands, we successfully expanded into home fragrances market. In 2023, we introduced a world-renowned home fragrances brand, Dr. Vranjes Firenze, into mainland China by opening its first Chinese flagship store in Shanghai. As of the Latest Practicable Date, we primarily offered scented candles, diffuser and home fragrance pendant sourced from 16 brands.

For details of the brands and products we manage, including perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances, please refer to the section headed “Business — Brands and Products — Product Portfolio of External Brands” in this document.

Self-owned Brands and Products

In addition to the external brands and products we manage, we also manage our self-owned brand, Santa Monica, with respect to perfumes and eyewear under this brand. In 1999, we began to offer eyewear under the Santa Monica brand. As of the Latest Practicable Date, we offered three categories of eyewear under the Santa Monica brand. Additionally, in 2022, we launched five perfumes under our Santa Monica brand, which were generally considered to be entry-prestige perfumes. Under our Santa Monica eyewear, we aim to provide cost-effective products that integrate technological innovation and aesthetic design, contributing to a stylish and relaxed lifestyle of our consumers. For details of our Santa Monica brand and the related products, please refer to the section headed “Business — Brands and Products — Product Portfolio of Our Self-owned Brand” in this document.

Pricing

We set the prices of the products we sell after considering numerous factors, including the recommended retail prices determined in discussion with the brand licensors. Such recommended retail prices are determined by taking into consideration, among others, (i) our forecasted costs and expenses for advertisement, promotion and distribution channels; (ii) our anticipated profit margin; and (iii) the procurement prices of the products. Please refer to the section headed “Business — Pricing Strategy” in this document for further details of our pricing policy.

OUR OMNI-CHANNEL SALES AND DISTRIBUTION NETWORK

We have an extensive omni-channel sales and distribution network with high penetration in both offline and online channels. Through our omni-channel network, we established a wide coverage of POSs in mainland China, Hong Kong and Macau.

Our sales and distribution network generally consists of (i) direct sales channels, which include retailer channels and self-operated channels, and (ii) distributor channels. We sell branded products to distributors, retailers and consumers through this sales and distribution network to optimize its coverage. Retailers typically purchase products from us and on-sell them directly to consumers, while distributors purchase products from us and primarily distribute them to retailers, but may also directly sell products to consumers.

SUMMARY

The following table sets forth a breakdown of our revenue by sales and distribution channels for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct sales channels						
• Retailer channels	784,809	46.9	761,140	44.8	844,749	45.3
— Online retailers ⁽¹⁾	371,815	22.2	356,427	21.0	327,627	17.6
— Offline retailers	412,994	24.7	404,713	23.8	517,122	27.7
a. Key accounts ⁽²⁾	354,647	21.2	315,656	18.6	380,481	20.4
b. Travel retailers ⁽³⁾	58,347	3.5	89,057	5.2	136,641	7.3
• Self-operated channels	382,501	22.8	338,617	19.9	447,330	24.0
— Online stores ⁽⁴⁾	167,052	10.0	123,786	7.3	126,144	6.8
— Offline stores/ counters	215,449	12.9	214,831	12.6	321,186	17.2
Subtotal	<u>1,167,310</u>	<u>69.7</u>	<u>1,099,757</u>	<u>64.7</u>	<u>1,292,079</u>	<u>69.3</u>
Distribution channels⁽⁵⁾						
• Online distributors	255,988	15.3	254,832	15.0	216,322	11.6
• Offline distributors	213,756	12.8	312,342	18.4	344,157	18.5
Subtotal	<u>469,744</u>	<u>28.1</u>	<u>567,174</u>	<u>33.4</u>	<u>560,479</u>	<u>30.1</u>
Others ⁽⁶⁾	37,600	2.2	32,213	1.9	11,203	0.6
Total	<u>1,674,654</u>	<u>100.0</u>	<u>1,699,144</u>	<u>100.0</u>	<u>1,863,761</u>	<u>100.0</u>

Notes:

- (1) The information was prepared by our finance team based on sales agreements with the online retailer customers to the extent available or internal records prepared by our sales team and reviewed by our finance team.
- (2) The information was prepared by our finance team based on sales agreements with the key accounts customers to the extent available or internal records prepared by our sales team and reviewed by our finance team.
- (3) The information was prepared by our finance team based on sales agreements with the travel retailer customers.
- (4) The information was prepared by our finance team based on the internal records prepared by our sales team and reviewed by our finance team.
- (5) The information was prepared by our finance team based on the distribution agreements with the distributors to the extent available or internal records prepared by our sales team and reviewed by our finance team.
- (6) During the Track Record Period, we operated and managed the daily operations of the online and offline stores under their respective brand names for certain of our customers and charged service fee in connection therewith. Others primarily include service income deriving from charges arising from such agency services.

SUMMARY

Direct Sales Channels

Our direct sales channels consist of (i) retailer channels, including online retailers and offline retailers, which include key accounts and travel retailers; and (ii) self-operated sales channels, which are online stores we operate on e-commerce and social media platforms, including, among others, Tmall.com, Tmall.hk (天貓國際), JD.com, JD.hk (京東國際), RED (小紅書), Douyin (抖音) and WeChat (微信), and offline stores/counters we operate in shopping malls and department stores to sell products directly to consumers. For the years ended March 31, 2022, 2023 and 2024, we sold products to one, three and three e-commerce platforms, respectively, and 56, 72 and 73 online retailers, respectively.

As of the Latest Practicable Date, we had more than 7,500 POSs within our offline sales channels in over 400 cities in mainland China, Hong Kong and Macau. As of March 31, 2022, 2023 and 2024, we operated 102, 92 and 87 offline stores/counters, respectively, in mainland China, Hong Kong and Macau. In addition, as of the Latest Practicable Date, we operated one offline Perfume Box store in Shanghai. Perfume Box is our self-operated retailer brand that covers both online stores and offline sales channels. For the years ended March 31, 2022, 2023 and 2024, revenue generated from the sales of products under direct sales channels amounted to RMB1,167.3 million, RMB1,099.8 million and RMB1,292.1 million, accounting for 69.7%, 64.7% and 69.3% of our total revenue, respectively, for the same years. For details of our direct sales channels, please see the section headed “Business — Sales and Distribution of Products — Direct Sales Channels” in this document.

Distribution Channels

During the Track Record Period and up to the Latest Practicable Date, we sold a number of products through distributors. Our distributors include online distributors and offline distributors, which purchase products from us and primarily resell them to online retailers and offline retailers, respectively. Some of these distributors also sell products directly to consumers. As of March 31, 2022, 2023 and 2024, we had 32, 37 and 48 distributors. For the years ended March 31, 2022, 2023 and 2024, revenue generated from the sales of products to our distributors amounted to RMB469.7 million, RMB567.2 million and RMB560.5 million, accounting for approximately 28.1%, 33.4% and 30.1% of our total revenue, respectively, for the same years, respectively. We generally only allow distributors to return defective products.

We had no material dispute with our distributors during the Track Record Period and up to the Latest Practicable Date. To the best knowledge of our Directors, all of our distributors were Independent Third Parties during the Track Period Record. For further details of distributors, please see the section headed “Business — Sales and Distribution of Products — Distribution Channels” in this document.

SUMMARY

CUSTOMERS

We sell products to (i) direct sales customers, who are online retailers, offline retailers and consumers; and (ii) distributors. For the years ended March 31, 2022, 2023 and 2024, revenue generated from our five largest customers amounted to approximately RMB395.3 million, RMB371.3 million and RMB364.2 million, accounting for approximately 23.6%, 21.9% and 19.5% of our total revenue, respectively, for the same years. For the years ended March 31, 2022, 2023 and 2024, revenue generated from our largest customer amounted to approximately RMB106.9 million, RMB96.1 million and RMB102.9 million, accounting for approximately 6.4%, 5.7% and 5.5% of our total revenue for the same years, respectively. Please see “Business — Customers” in this document for details.

To the best knowledge of our Directors, during the Track Record Period, all of our five largest customers were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these customers during the Track Record Period and up to the Latest Practicable Date.

SUPPLIERS

During the Track Record Period, we procured branded products from external brand licensors. For the years ended March 31, 2022, 2023 and 2024, the purchases from our five largest suppliers amounted to approximately RMB810.7 million, RMB698.1 million and RMB771.5 million, accounting for approximately 85.1%, 84.0%, and 81.6%, respectively, of our total purchase for the same years. For the years ended March 31, 2022, 2023 and 2024, the purchases from our largest supplier amounted to approximately RMB307.4 million, RMB230.4 million and RMB373.4 million, accounting for approximately 32.3%, 27.7% and 39.5% of our total purchase, for the same years. Please see “Business — Suppliers” in this document for details.

To the best knowledge of our Directors, during the Track Record Period, all of our five largest suppliers were Independent Third Parties, and none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, or had any interest in these suppliers during the Track Record Period and up to the Latest Practicable Date.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary data from our combined financial information for the Track Record Period, extracted from the Accountant’s Report set out in Appendix I to this document. The summary combined financial data sets forth below should be read together with, and qualified in its entirety by reference to, the combined financial statements in this document, including the related notes. Our combined financial information was prepared in accordance with HKFRS.

SUMMARY

Summary of Combined Statements of Comprehensive Income

The following table sets forth the components of our combined statements of comprehensive income for the financial years indicated:

	For the Year Ended March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,674,654	1,699,144	1,863,761
Cost of sales	<u>(813,221)</u>	<u>(843,153)</u>	<u>(925,570)</u>
Gross profit	861,433	855,991	938,191
Selling and marketing expenses	(537,389)	(457,520)	(514,569)
Administrative expenses	(157,699)	(169,954)	(202,670)
Provision for impairment of financial assets	(489)	(622)	(474)
Other income	13,382	12,057	12,346
Other gains/(losses), net	<u>32,908</u>	<u>(16,818)</u>	<u>(1,272)</u>
Operating profit	<u>212,146</u>	<u>223,134</u>	<u>231,552</u>
Finance income	7,786	6,468	8,063
Finance costs	<u>(2,261)</u>	<u>(2,667)</u>	<u>(4,034)</u>
Finance income, net	<u>5,525</u>	<u>3,801</u>	<u>4,029</u>
Share of loss of a joint venture	–	–	<u>(2,964)</u>
Profit before income tax	217,671	226,935	232,617
Income tax expense	<u>(46,784)</u>	<u>(53,829)</u>	<u>(26,144)</u>
Profit for the year	<u>170,887</u>	<u>173,106</u>	<u>206,473</u>
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations	<u>(28,898)</u>	<u>39,148</u>	<u>17,333</u>
Total comprehensive income for the year	<u>141,989</u>	<u>212,254</u>	<u>223,806</u>
Earnings per share attributable to owners of the Company*			
Basic and diluted (expressed in RMB per share)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note:

* No earnings per share information is presented as its inclusion, for the purpose of the Accountant’s Report in Appendix I to this document, is not considered meaningful due to (i) the Corporate Reorganization; and (ii) the presentation of the results for the Track Record Period on a combined basis as disclosed in note 1.3 to the Accountant’s Report in Appendix I to this document.

SUMMARY

Our revenue remained relatively stable at RMB1,699.1 million for the year ended March 31, 2023 as compared to RMB1,674.7 million for the year ended March 31, 2022, but increased from RMB1,699.1 million for the year ended March 31, 2023 to RMB1,863.8 million for the year ended March 31, 2024. The increase was mainly due to the overall global economic growth, and in particular the growth in the industries where we operate in mainland China, Hong Kong and Macau after the COVID-19 pandemic had ended. For details of our revenue fluctuations by product and sales channel, please see the section headed “Financial Information — Period to Period Comparison of Results of Operations” in this document.

Summary of Combined Statements of Financial Position

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	225,354	191,985	135,597
Total current assets	906,087	902,614	897,799
Total assets	1,131,441	1,094,599	1,033,396
Total non-current liabilities	37,625	25,549	34,732
Total current liabilities	581,251	533,652	540,119
Total liabilities	618,876	559,201	574,851
Net current assets	324,836	368,962	355,199
Net assets	512,565	535,398	458,545
Total equity	512,565	535,398	458,545

Our net current assets increased from RMB324.8 million as of March 31, 2022 to RMB369.0 million as of March 31, 2023, primarily because the decrease in our total current liabilities outpaced the decrease in our total current assets. Our total current liabilities decreased primarily due to a decrease in our trade and bills payables, mainly a result of the COVID-19 pandemic in 2021 that adversely affected the global trade and logistics, which caused us to procure in advance a large amount of products from our suppliers at the end of 2021 and the beginning of 2022 in response to the possible disruption to the global supply chain. Our total current assets decreased primarily due to a decrease in the inventories, mainly because we had large amount of goods in transit as of March 31, 2022 due to the delayed delivery of the products from our suppliers as a result of the disruption to the global supply chain logistics caused by the COVID-19 pandemic. The transportation and delivery of the products went back to normal as of March 31, 2023 after the COVID-19 pandemic had ended.

Our net current assets decreased from RMB369.0 million as of March 31, 2023 to RMB355.2 million as of March 31, 2024, primarily due to the increase of our current liabilities and decrease of our current assets. Our total current liabilities increased primarily due to an increase in the amount due to a director, mainly arising from the dividend we declared, which remained due to our Controlling Shareholders as of March 31, 2024. Our total current assets

SUMMARY

decreased primarily due to a decrease in our cash and cash equivalents as a result of dividend payments made to our Controlling Shareholders. For details of the fluctuations of our net current assets, please refer to the section headed “Financial Information — Net Current Assets” in this document.

Summary of Combined Statements of Cash Flows

	For the year ended March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	71,270	210,131	174,902
Net cash used in investing activities	(9,826)	(25,375)	(29,955)
Net cash used in financing activities	(214,975)	(215,525)	(335,355)
Net decrease in cash and cash equivalents	(153,531)	(30,769)	(190,408)
Effect of foreign exchange rate changes	(38,153)	43,838	20,875
Cash and cash equivalents at the beginning of the year	499,077	307,393	320,462
Cash and cash equivalents at the end of the year	307,393	320,462	150,929

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/Year ended March 31,		
	2022	2023	2024
Net profit margin ⁽¹⁾	10.2%	10.2%	11.1%
Current ratio ⁽²⁾	1.6	1.7	1.7
Quick ratio ⁽³⁾	0.8	1.0	0.9
Return on equity ⁽⁴⁾	33.8%	33.0%	41.5%

Notes:

- (1) Net profit margin equals profit for the year divided by total revenue for the year and multiplied by 100%.
- (2) Current ratio equals total current assets divided by total current liabilities as of the end of the year.
- (3) Quick ratio equals total current assets less inventories divided by total current liabilities as of the end of the year.
- (4) Return on equity equals profit for the year divided by the average balance of our total equity at the beginning and end of the year and multiplied by 100%.

SUMMARY

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED]% by Eternal International, which is in turn held by Mr. Lau and Mrs. Lau as to 90% and 10% respectively. For the purposes of the [REDACTED] and under the Listing Rules, Eternal International, Mr. Lau and Mrs. Lau will therefore be regarded as the Controlling Shareholders of our Company. For details, please refer to the section headed “Relationship with the Controlling Shareholders” in this document.

As of the Latest Practicable Date, Eternal BVI was a corporate director of Gold Vision Limited (“**Gold Vision**”), which is principally engaged in retail sales of eyewear products. Having considered that (i) the principal business of Gold Vision is retail sales of eyewear products; (ii) during the Track Record Period and up to the Latest Practicable Date, we were only engaged in wholesale and distribution of eyewear products; (iii) both Gold Vision and our Group have no intention to change their respective principal business, our Directors are of the view that there is clear delineation and no material competition between the business operated by Gold Vision and our Group. For further details, see the section headed “Relationship with the Controlling Shareholders — Competition under Rule 8.10 of the Listing Rules” in this document.

We have entered into certain transactions with our Controlling Shareholders and/or their associates which will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules. For details, please refer to the section headed “Continuing Connected Transactions” in this document.

[REDACTED]

Eternal International will sell [REDACTED] Shares pursuant to the [REDACTED] representing approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme). For further details, see the section headed “Statutory and General Information — G. Other Information — 13. Particulars of the [REDACTED]” in Appendix IV to this document.

[REDACTED] SHARE OPTION SCHEME

Our Company adopted the [REDACTED] Share Option Scheme on June 18, 2024. As of the date of this document, the outstanding options to subscribe for an aggregate of 26,194,000 Shares representing approximately [REDACTED]% of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), have been conditionally granted by our Company under the [REDACTED] Share Option Scheme to a total of 18 grantees on June 24, 2024 and July 8, 2024, respectively, and the exercise price of each option granted were HK\$0.1. Upon exercise of the options under the [REDACTED] Share Option Scheme, a total of 26,194,000 Shares will be allotted and issued to Eternal Beauty Investment Limited, a company incorporated in BVI and wholly-owned by Futu Trustee Limited, the trustee of the trust set up by our Company to facilitate the administration of the [REDACTED] Share Option Scheme. As of the Latest Practicable Date, none of the options has been exercised.

SUMMARY

Assuming [REDACTED] Shares will be issued upon the full vesting and exercise of all outstanding options granted under the [REDACTED] Share Option Scheme, the shareholding of our Shareholders immediately following completion of the Capitalization Issue and the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] will be diluted by approximately [REDACTED]%. The dilution effect on our earnings per Share would be approximately [REDACTED]% arising from the issue of shares in respect of such outstanding options.

For further details of the [REDACTED] Share Option Scheme, see the section headed “Statutory and General Information — E. [REDACTED] Share Option Scheme” in Appendix IV to this document.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the date of this document, our business and operation have remained stable, which was in line with our past trends and expectations.

From April 1, 2024 until the Latest Practicable Date, we opened 15 new online self-operated flagship stores on e-commerce and social media platforms in China, and 12 offline self-operated stores/counters in shopping malls and department stores in China. Our products were sold at 194 new POSs in China, including 80 new POSs for the skincare products under the brand, Dr. Babor, during the same period. During the same period, we also engaged four new perfume brands. Moreover, we participated in a number of industry exhibitions, including Hainan Expo and China Beauty Expo in Shanghai in April and May 2024, respectively, and Nose Idea Exhibition in Hangzhou in June 2024 through which we showcased a variety of the brands and products in our brand management portfolios.

USE OF [REDACTED]

The estimated net [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] (assuming the [REDACTED] is not exercised), will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] (being the mid-point of the [REDACTED] Range).

We intend to use the net [REDACTED] as follows (based on the mid-point of the [REDACTED] range stated in this document):

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to further develop our self-owned brands, including Santa Monica, and acquire or invest in external brands.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to develop and expand our self-operated retailer channels, including the expansion of our online and offline Perfume Box stores, and other self-operated online and offline stores/counters.

SUMMARY

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to accelerate our digital transformation, primarily by upgrading of our digitalized CRM system, mid-office systems and finance and operation systems.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to enhance the recognition and reputation of our Group.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund working capital and general corporate purposes to support our business operation and growth.

We will not receive any [REDACTED] from the sale of the [REDACTED] by the [REDACTED] in the [REDACTED]. We estimate that the [REDACTED] will receive gross [REDACTED] of approximately HK\$[REDACTED] million from the sale of the [REDACTED], based on the [REDACTED] of HK\$[REDACTED] per Share.

Please refer to “Future Plans and Use of [REDACTED]” in this document for details.

DIVIDENDS

No dividend was declared or paid by our Company during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period. For the years ended March 31, 2022, 2023 and 2024, the dividends declared by the companies now comprising our Group to their then equity shareholders, after elimination of intra-group dividends, amounted to RMB128.1 million, RMB189.4 million and RMB314.3 million, respectively.

The Board may declare, and the Company may pay, dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. We may distribute dividends by way of cash, or warrant. We may distribute stock dividends if our Directors consider that our stock price and equity scale do not match and that distribution of stock dividends is beneficial to all Shareholders’ interest. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim dividends as our Board considers to be justified by our profits and overall financial requirements. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Following the [REDACTED], the Board intends to recommend at the relevant Shareholders meeting an annual dividend of no less than 50% of our profit for the year available for distribution to the Shareholders, after taking into consideration the factors described above in the foreseeable future. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders’ meeting.

SUMMARY

[REDACTED] EXPENSE

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We estimate that our total [REDACTED] expenses (including [REDACTED] commission) will be approximately RMB[REDACTED]. During the Track Record Period, [REDACTED] expenses of approximately RMB[REDACTED] were charged to our combined statements of profit or loss for the year ended March 31, 2024, and approximately RMB[REDACTED] were capitalized to our combined statements of financial position and recognized as prepaid [REDACTED] expenses as of March 31, 2024, which are expected to be deducted from equity upon [REDACTED] as they are directly attributable to the issue of the Shares [REDACTED]. The estimated remaining [REDACTED] expenses of approximately RMB[REDACTED] are expected to be charged to our combined statements of profit or loss for the year ending March 31, 2025, and approximately RMB[REDACTED] are expected to be deducted from equity upon [REDACTED]. The [REDACTED] expenses consisted of RMB[REDACTED] [REDACTED]-related expenses and RMB[REDACTED] non-[REDACTED]-related expenses (including fees and expenses of legal advisors and the reporting accountant of RMB[REDACTED] and other fees and expenses of RMB[REDACTED]).

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since March 31, 2024, being the date on which our latest audited combined financial statements were prepared, and there is no event since March 31, 2024, which would materially affect the information as set out in the Accountant’s Report in Appendix I to this document.

[REDACTED] STATISTICS

Assuming an [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED], our unaudited [REDACTED] adjusted combined net tangible asset value attributable to owners of our Company would be HK\$[REDACTED] per Share and HK\$[REDACTED] per Share, respectively. See “Unaudited [REDACTED] Financial Information — Unaudited [REDACTED] Statement of Adjusted Combined Net Tangible Assets” in Appendix II to this document for details.

	<u>Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]</u>	<u>Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]</u>
[REDACTED] of our Shares upon completion of the Capitalization Issue and the [REDACTED] ⁽²⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited [REDACTED] adjusted combined net tangible asset value per Share ⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) All statistics in this table are presented based on the assumption that the [REDACTED] are not exercised.
- (2) The calculation of [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately following the completion of the Capitalization Issue and the [REDACTED].
- (3) The unaudited [REDACTED] adjusted combined net tangible asset value per Share is calculated after the adjustments referred to in “Unaudited [REDACTED] Financial Information” in Appendix II to this document and on the basis of [REDACTED] Shares expected to be in issue and outstanding immediately following the completion of the Capitalization Issue and the [REDACTED].

SUMMARY

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors” in this document. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in the [REDACTED]. Some of the major risks that we face include:

- Our business depends heavily on the strength and reputation of the brands we manage, and consumers’ recognition and their trust in the products we promote and sell may be materially and adversely affected if we fail to maintain and enhance the recognition and reputation of such brands;
- We operate in a highly competitive industry. If we fail to compete effectively, our business and operating results could be adversely affected;
- We depend on brand licensors, including brand owners and their primary licensees, to grow our business. Primary licensees’ inability to retain their licenses with brand owners, and our failure to maintain or renew relationships with them as well as our inability to source and cooperate with existing and new brand licensors on acceptable terms or at all could materially and adversely affect our business, results of operations and prospects;
- The size of the existing markets for the products we sell may be smaller than estimated and new market opportunities may not develop as quickly as we expect, or at all, limiting our ability to successfully sell the products;
- Our sales and marketing strategies may not be able to adapt to the changes in the market trends and consumer preferences in a timely manner, and our marketing activities may not be cost-effective in attracting consumers. If any of the foregoing occurs, our business, financial condition and results of operations could be harmed;
- If the online platforms we rely on to promote and sell the products are interrupted or disrupted for any reason or if our cooperation with such online platforms deteriorates or becomes more costly to maintain or is otherwise terminated for any reason, or if there is any change in the behavior patterns of online consumers, our business and results of operations may be materially and adversely affected.
- Disruptions to supply chain, transportation and logistics could harm our business.
- Our control over our distributors could be limited;
- We may encounter difficulties in maintaining, expanding or optimizing our sales and distribution network; and
- We are exposed to concentration risk involving our suppliers.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms have the following meanings.

“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong (formerly known as the Financial Reporting Council of Hong Kong)
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on [●], 2024 and effective from the [REDACTED] and amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“B&E China”	B & E China Holdings Limited (穎芭中國控股有限公司), a limited liability company incorporated under the laws of Hong Kong on May 8, 2023, and is held as to 50% by Eternal BVI and 50% by Dr. Babor
“BABOR Beijing”	BABOR Beijing Trading Pte Limited* (芭寶妍(北京)貿易有限公司), a limited liability company incorporated under the law of the PRC on July 25, 2023, and is wholly owned by B&E China
“BABOR Shanghai”	BABOR Shanghai Trading Pte Limited* (芭寶妍(上海)貿易有限公司), a limited liability company incorporated under the law of the PRC on June 27, 2023, and is wholly owned by B&E China
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands

DEFINITIONS

“CAGR”	compound annual growth rate
	[REDACTED]
“Capitalization Issue”	the issue of Shares to be made upon capitalization of certain amounts in the share premium account of our Company as referred to in the section headed “Resolutions in writing of our Shareholders passed on [●] 2024” in Appendix IV to this document
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China”, “mainland China” or “the PRC”	People’s Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Act” or “Cayman Companies Act”	the Companies Act (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we”, “us”, or “our”	Eternal Beauty Holdings Limited (穎通控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 9, 2024
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, in the context of this document, refers to Mr. Lau, Mrs. Lau and Eternal International
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Corporate Reorganization”	the reorganization of our Group in preparation for [REDACTED], details of which are described in the section headed “History, Development and Corporate Structure — Corporate Development and Reorganization” in this document
“COVID-19”	coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus (SARS-CoV-2) and first identified in late 2019
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Dr. Babor”	Dr. Babor GmbH & Co KG, a company incorporated under the laws of the Federal Republic of Germany, an Independent Third Party
“E & C Holdings”	E & C Holdings Limited, a limited liability company incorporated under the laws of Hong Kong on September 2, 2021, and an indirect wholly-owned subsidiary of our Company
“E & C Trading”	E & C (Hong Kong) Trading Limited (穎得(香港)貿易有限公司), a limited liability company incorporated under the laws of Hong Kong on November 30, 2021, and an indirect wholly-owned subsidiary of our Company
“E&C Shanghai”	E&C Shanghai Cosmetics Ltd* (上海穎愷德化妝品有限公司), a limited liability company incorporated under the law of the PRC on December 2, 2021, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“E China Trading”	E China Trading Limited (永欣中國貿易有限公司), a limited liability company incorporated under the laws of Hong Kong on November 7, 2018, and an indirect wholly-owned subsidiary of our Company
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on March 16, 2007, and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
“Eternal Beauty Shanghai Trading”	Eternal Beauty (Shanghai) Trading Co., Ltd* (穎通美妍(上海)貿易有限公司), a limited liability company incorporated under the law of the PRC on August 14, 2023, and an indirect wholly-owned subsidiary of our Company
“Eternal Beijing Trading”	Eternal (Beijing) Trading Co., Ltd* (穎通(北京)貿易有限公司), a limited liability company incorporated under the law of the PRC on April 19, 2019, and an indirect wholly-owned subsidiary of our Company
“Eternal BVI”	Eternal Holdings Limited, a limited liability company incorporated under the laws of the BVI on April 7, 1995, and a direct wholly-owned subsidiary of our Company
“Eternal Chengdu Trading”	Eternal (Chengdu) Trading Co., Ltd* (穎通(成都)貿易有限公司), a limited liability company incorporated under the law of the PRC on April 18, 2019, and an indirect wholly-owned subsidiary of our Company
“Eternal China”	Eternal China Limited (穎通中國有限公司), a limited liability company incorporated under the laws of Hong Kong on April 10, 2017, and an indirect wholly-owned subsidiary of our Company
“Eternal China Trading”	Eternal (China) International Trading Co., Ltd* (穎通(中國)國際貿易有限責任公司), a limited liability company incorporated under the law of the PRC on January 7, 2019, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Eternal Development”	Shanghai Eternal Enterprise Development Co., Ltd* (上海穎通企業發展有限公司), a limited liability company incorporated under the law of the PRC on January 23, 2024, and an indirect wholly-owned subsidiary of our Company
“Eternal Far East”	Eternal Optical & Perfumery (Far East) Limited (穎通(遠東)有限公司), a limited liability company incorporated under the laws of Hong Kong on February 18, 1983, and an indirect wholly-owned subsidiary of our Company
“Eternal Guangzhou Trading”	Eternal (Guangzhou) Trading Co., Ltd*(穎通(廣州)貿易有限公司), a limited liability company incorporated under the law of the PRC on June 24, 2019, and an indirect wholly-owned subsidiary of our Company
“Eternal International”	Eternal Beauty International Limited (穎通國際有限公司), a limited liability company incorporated under the laws of the BVI on January 8, 2024, which is owned as to 90% and 10% by Mr. Lau and Mrs. Lau, respectively
“Eternal Shanghai Cosmetics”	Eternal (Shanghai) Cosmetics Ltd* (上海穎通化妝品有限公司), a limited liability company incorporated under the law of the PRC on February 15, 2019, and an indirect wholly-owned subsidiary of our Company
“Eternal Shanghai Digintelligence”	Eternal (Shanghai) Digintelligence Corporation* (上海穎通科技應用有限公司), a limited liability company incorporated under the law of the PRC on May 14, 2021, and an indirect wholly-owned subsidiary of our Company
“Eternal Shanghai Optical”	Eternal Shanghai Optical Ltd* (上海穎通光學有限公司), a limited liability company incorporated under the law of the PRC on June 10, 2021, and an indirect wholly-owned subsidiary of our Company
“Eternal Shanghai Trading”	Eternal (Shanghai) Trading Co., Ltd* (穎通(上海)貿易有限公司), a limited liability company incorporated under the law of the PRC on July 30, 2008, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Eternal Shenzhen Trading”	Eternal Beauty (Shenzhen) Trading Co., Ltd* (穎通美業(深圳)貿易有限公司), a limited liability company incorporated under the law of the PRC on June 30, 2023, and an indirect wholly-owned subsidiary of our Company
“Eternal Xian Trading”	Eternal (Xian) Trading Co., Ltd* (穎通(西安)貿易有限公司), a limited liability company incorporated under the law of the PRC on December 19, 2023, and an indirect wholly-owned subsidiary of our Company
“EUR”	Euro, the lawful currency of 20 of the 27 member states of the European Union
“EuroItalia”	EuroItalia S.R.L., a limited liability company incorporated under the laws of Italy
“Excellent Fareast”	Excellent Fareast Limited (卓俊遠東有限公司), a limited liability company incorporated under the laws of Hong Kong on October 22, 1996, and an indirect wholly-owned subsidiary of our Company
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FINI”	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new [REDACTED] of securities
“Frost & Sullivan”	Frost & Sullivan Limited, a market research and consulting company, which is an Independent Third Party

DEFINITIONS

“Frost & Sullivan Report” an independent market research report commissioned and prepared by Frost & Sullivan for the purpose of this document, as referred to in the section headed “Industry Overview” in this document

“General Administration of Customs” General Administration of Customs of the PRC (中華人民共和國海關總署)

[REDACTED]

“Governmental Authority” any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational

“Group”, “our Group”, “the Group”, “our”, “we” or “us” our Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

“Guangzhou Consulting” Guangzhou Eternal Business Consulting Co., Ltd* (廣州穎通商務諮詢有限公司), a limited liability company incorporated under the law of the PRC on January 24, 2019, and an indirect wholly-owned subsidiary of our Company

“Guangzhou Huisheng Trading” Guangzhou Huisheng Trading Co., Ltd* (廣州慧昇貿易有限公司), a limited liability company incorporated under the law of the PRC on October 15, 2014, and an indirect wholly-owned subsidiary of our Company

[REDACTED]

DEFINITIONS

“HKFRS”	Hong Kong Financial Report Standards, as issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC [REDACTED] channel”	the arrangement in these HKSCC Operational Procedures for instructions to be given electronically to HKSCC by Participants via FINI for applications to be made on their behalf for new issue shares and for the payment of application moneys, and for those instructions to be acted upon
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the operational procedures of the HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of the systems established, operated and/or otherwise provided by or through HKSCC (including FINI and CCASS) as from time to time in force
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HKD” or “HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

“Hong Kong Securities and Futures Ordinance” or “SFO” the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

[REDACTED]

“Hong Kong Takeovers Code” or “Takeovers Code” The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“Independent Third Party(ies)” party(ies) which is/are independent of and not a connected person (within the meaning of the Listing Rules) of our Group

[REDACTED]

DEFINITIONS

[REDACTED]

“InterParfums” Interparfums, Inc., a limited liability company incorporated under the laws of the U.S., and its subsidiaries

[REDACTED]

“Joint Sponsors” the joint sponsors as named in the section headed “Directors and Parties Involved in the [REDACTED]” in this document

“JPY” Japanese Yen, the lawful currency of Japan

“Latest Practicable Date” [July 11], 2024, being the latest practicable date for ascertaining certain information in this document before its publication

DEFINITIONS

“Laws” all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions

[REDACTED]

“Listing Committee” the Listing Committee of the Stock Exchange

[REDACTED]

“Listing Rules” The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange

“Memorandum of Association” or “Memorandum” the amended and restated memorandum of association of our Company adopted on [●] 2024, as amended from time to time

“Ministry of Finance” or “MOF” the Ministry of Finance of the PRC (中華人民共和國財政部)

“Ministry of Industry and Information Technology” the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

“MOFCOM” the Ministry of Commerce of the PRC (中華人民共和國商務部)

“Moral Happiness” Moral Happiness Limited (喜賢有限公司), a limited liability company incorporated under the laws of Hong Kong on October 1, 2021, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Mr. Chu”	Mr. Chu Wai Tsun, Baggio (朱維馴), an executive Director and chief financial officer of the Group
“Mr. Lau”	Mr. Lau Kui Wing (劉鉅榮), an executive Director, chairman of the Board, and a Controlling Shareholder. He is the father of Ms. Lau
“Mrs. Lau”	Ms. Chan Wai Chun (陳慧珍), the spouse of Mr. Lau and the mother of Ms. Lau
“Ms. Lam”	Ms. Lam King (林荊), an executive Director and chief executive officer of the Group
“Ms. Lau”	Ms. Lau Wing Yin (劉穎賢), an executive Director and the daughter of Mr. Lau
“National People’s Congress” or “NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Nomination Committee”	the nomination committee of the Board

[REDACTED]

DEFINITIONS

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC government”	the government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Legal Advisor”	Beijing Jingtian & Gongcheng Law Firm, our legal advisor as to PRC Laws
“[REDACTED] Share Option Scheme”	the share option scheme adopted and approved by the then Shareholders on June 18, 2024, the principal terms of which are summarized in the section headed “[REDACTED] Share Option Scheme” in Appendix IV to this document

[REDACTED]

DEFINITIONS

“Province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

[REDACTED]

“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Eternal Brand Management”	Shanghai Eternal Brand Management Co., Ltd. (上海穎通品牌管理有限公司), a limited liability company incorporated under the law of the PRC on February 29, 2024, and an indirect wholly-owned subsidiary of our Company
“Shanghai Eternal Import and Export”	Shanghai Eternal Import and Export Co., Ltd. (上海穎通進出口有限公司), a limited liability company incorporated under the law of the PRC on March 14, 2024, and an indirect wholly-owned subsidiary of our Company
“Shanghai Eternal Trading”	Shanghai Eternal Trading Co., Ltd. (上海穎通商貿有限公司), a limited liability company incorporated under the law of the PRC on February 28, 2024, and an indirect wholly-owned subsidiary of our Company
“Shanghai Smiley”	Shanghai Smiley Beauty Cosmetics Limited* (上海微笑美肌化妝品有限公司), a limited liability company incorporated under the law of the PRC on May 3, 2020, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Shanghai Yierpai Advertising”	Shanghai Yierpai Advertising Ltd* (上海一二派廣告有限公司), a limited liability company incorporated under the law of the PRC on December 1, 2021, and an indirect wholly-owned subsidiary of our Company
“Shanghai Yongxin Trading”	Shanghai Yongxin Trading Co., Ltd* (上海永欣貿易有限公司), a limited liability company incorporated under the law of the PRC on March 12, 2013, and an indirect wholly-owned subsidiary of our Company
“Shanghai Zhuangwei Advertising”	Shanghai Zhuangwei Advertising Ltd* (上海妝味廣告有限公司), a limited liability company incorporated under the law of the PRC on December 1, 2021, and an indirect wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.001 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted and approved by our Shareholders on [●], 2024 and which shall take effect from the [REDACTED], the principal terms of which are summarized in the section headed “Share Option Scheme” in Appendix IV to this document
“Shareholder(s)”	holder(s) of the Share(s)
“State Administration for Industry and Commerce” or “SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國工商行政管理總局)
“State Administration for Market Regulation” or “SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC
“State Administration of Foreign Exchange” or “SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

DEFINITIONS

“State Administration of Taxation” or “SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“State Environmental Protection Administration”	the Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Talent Crown”	Talent Crown Limited (杰冠有限公司), a limited liability company incorporated under the laws of Hong Kong on October 8, 2021, and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the three financial years ended March 31, 2022, 2023 and 2024
“U.S. dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended

[REDACTED]

“United States” or “U.S.”	The United States of America, its territories, its possessions and all areas subject to its jurisdiction
“VAT”	value added tax
“%”	Percent

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document as they relate to our Company and as they are used in this document in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“beauty advisor”	a trained professional in offline channels who offers personalized guidance and recommendations to consumers on cosmetic products, skincare routines and beauty techniques to meet personalized beauty needs and preferences
“brand licensor”	an entity that holds the proprietary rights to a brand’s intellectual property, and licenses it to other businesses or individuals, allowing them to use the brand’s intellectual property for specified commercial purposes
“CRM”	namely, customer relationship management, a consumer management system that employs technology to track, analyze and enhance interactions with customers at every touchpoint, aiming to improve customer loyalty, satisfaction and retention
“first tier cities”	first-tier cities include Beijing, Shanghai, Guangzhou and Shenzhen in the PRC
“KOL(s)”	an individual with substantial influence, expertise and credibility in specific industry sector
“lower tier cities”	lower tier cities refer to the rest of the cities other than first tier cities and second tier cities
“ml”	milliliter, a unit of measurement for containers equal to 0.001 litres
“new first tier cities”	new first tier cities (新一線城市) include Chengdu, Hangzhou, Chongqing, Suzhou, Wuhan, Xi’an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Kunming, Ningbo, Qingdao and Hefei
“OEM”	original equipment manufacturing, where a manufacturer manufactures a product in accordance with the customer’s design and specifications and is marketed and sold under the customer’s brand name or under no specific brand

GLOSSARY OF TECHNICAL TERMS

“ODM”	original design manufacturing, where a manufacturer designs and manufactures a product which is specified by the customer and eventually marketed and sold under the customer’s brand name or under no specific brand
“POS”	point of sale, a time and place at which a retail transaction is completed
“perfume group(s)”	the company that operates perfume brands, including both the brand owners, which have proprietary ownership over the brands, and brand management companies, which are licensed by the brand owners or primary licensees to manage the brands
“SAP”	systems, applications and products, one of our information technology systems
“second tier cities”	second-tier cities include Foshan, Shenyang, Wuxi, Jinan, Xiamen, Fuzhou, Wenzhou, Changzhou, Dalian, Shijiazhuang, Nanning, Harbin, Jinhua, Nanchang, Changchun, Nantong, Quanzhou, Guiyang, Jiaxing, Taiyuan, Huizhou, Xuzhou, Shaoxing, Zhongshan, Taizhou, Yantai, Zhuhai, Baoding, Weifang and Linyi
“SKU”	stock keeping unit(s), to help identify and track inventories
“sq.m.”	square meter, a unit of area measurement
“young consumers”	mainly include individuals of Generation Z and millennials

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would”, “wish” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These forward-looking statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Risk Factors”, “Business”, “Financial Information” and other sections in this document. You should read thoroughly this document with the understanding that our actual future results may be materially different from and worse than what we expect.

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company that could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our business operations and prospects;
- our future business development, financial conditions and results of operations;
- the expected growth of the cosmetics (including perfumes, skincare products, color cosmetics and personal care products), eyewear and home fragrances industries and the markets in which we operate;
- our expectations regarding demand for the products we sell;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- the future developments and competitive environment in the industries where we operate;
- our ability to control costs;

FORWARD-LOOKING STATEMENTS

- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the PRC and internationally;
- our future debt levels and capital needs;
- intellectual property;
- certain statements in “Business” and “Financial Information” with respect to trends in prices, operations, margins, overall market trends, and risk management;
- the actions and developments of our competitors;
- capital market development;
- other statements in this document that are not historical facts; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this document.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no responsibility to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of any subsequent unanticipated event. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this document.

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in regions where we operate; and (iii) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business depends heavily on the strength and reputation of the brands we manage, and consumers’ recognition and their trust in the products we promote and sell may be materially and adversely affected if we fail to maintain and enhance the recognition and reputation of such brands.

We rely heavily on the strength and reputation of the brands we manage and our ability to promote and sell their products, such as perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. We believe that the recognition of the brand licensors on our ability to effectively manage their brands and the recognition of our customers on our brand and product portfolios have contributed to our success in the industries where we operate. However, the reputation of the brands we manage may be harmed by, among others, product defects, ineffective customer services, product liability claims, consumer complaints, intellectual property infringement or negative publicity or media reports. Any (i) negative claim against the brands we manage, our brand licensors or us, even if meritless or unsuccessful, (ii) negative publicity against the brands we manage, our brand licensors or us, or (iii) negative publicity resulting from counterfeiting and imitation of the products we sell by external parties, malicious competition on the product prices and sales of the products by distributors through illegal distribution channels, among others, even if unfounded or immaterial to our operations, could damage our reputation, undermine the confidence of the brand licensors, our customers and consumers in us, and divert our management’s attention and other resources from day-to-day business operation, which may materially and adversely affect our business, financial condition and results of operations. Furthermore, negative media

RISK FACTORS

coverage regarding the brand ambassadors or KOLs we cooperate with, or quality, price-level or safety of the products we sell and the brands we manage in mainland China, Hong Kong and Macau and beyond, and the resulting negative publicity, may undermine the level of consumer confidence in, us, the brands we manage and the products we promote and sell, which could damage our reputation and business prospects.

We operate in a highly competitive industry. If we fail to compete effectively, our business and operating results could be adversely affected.

During the Track Record Period, we primarily competed with external brand owners (excluding those brand owners of the perfume brands managed by us) and brand management companies of perfumes, as a majority of our revenue was generated from the sales of perfumes.

Some of our existing competitors are large publicly traded companies, or are divisions of large publicly traded companies, especially foreign competitors, and may enjoy several competitive advantages over us, including, but not limited to, better brand recognition, more financial resources, longer operating history, broader product portfolio, wider distribution channels and larger consumer base. We cannot assure you that we will be successful in the face of increasing competition from the other brand owners or brand management companies or new players entering into our markets. Any failure by us to compete effectively against our competitors and maintain and expand our consumer base could materially and adversely affect our business, financial condition and results of operations.

We are a brand management company with brand and product portfolios that cover perfumes, skincare products, color cosmetics, personal care products, eyewear, home fragrances, and sell and distribute the relevant products in mainland China, Hong Kong and Macau. Although we strive to minimize the impact of parallel imports, if a significant number of our customers turn to parallel imports or counterfeit products of the brands we manage, our sales could suffer. Incidents of parallel imports and counterfeit products could also affect the value and image of the brands we manage and result in a loss of customer and consumer confidence in the products we offer and, as a result, adversely affecting our business, financial condition, results of operation and prospects.

We depend on brand licensors, including brand owners and their primary licensees, to grow our business. Primary licensees’ inability to retain their licenses with brand owners, and our failure to maintain or renew relationships with them as well as our inability to source and cooperate with existing and new brand licensors on acceptable terms or at all could materially and adversely affect our business, results of operations and prospects.

The initial terms of most of our agreements with the brand licensors range from three to five years, which may be terminated by the brand licensors with prior written notice. The renewal of our agreements with the brand licensors are generally subject to mutual consent. In addition, as our business evolves in response to the ever-changing market conditions, we may find the current arrangements with the brand licensors inadequate to address such changes and may need to modify or adjust the terms of the arrangements with them, which would require

RISK FACTORS

their consent. We cannot assure you that the brand licensors with whom we intend to continue to cooperate will not terminate the existing agreements, will agree to renew the agreements with us, or will consent to the changes to the existing arrangements. For instance, in December 2022, the distribution agreement with a major brand licensor of a major luxury brand expired, which contributed RMB424.7 million, or approximately 25.5% to our total revenue for the year ended March 31, 2023, primarily because this brand licensor decided to operate the brand in China by itself. If we are unable to secure cooperation with the brand licensors from whom we source the products at present or in the future, the supply of products from them may be disrupted. We may also be exposed to litigation risks as a result of the disagreements between us and the brand licensors. Our business, financial condition, results of operations, reputation and prospects will be materially and adversely affected if we fail to secure stable cooperation with the brand licensors. Even if we are able to secure cooperation with the brand licensors, we cannot assure you that the terms of such agreements would be favorable to us. Our business could be materially and adversely affected if there are any material changes to the terms of our cooperation with brand licensors, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

In addition to cooperating with the brand owners directly, we promote and sell some of the products in our portfolio under the sub-licenses obtained from the primary licensees, which are licensed by the relevant brand owners to such primary licensees to produce, market and distribute their products. If these primary licensees fail to secure the business relationships with the relevant brand owners, or otherwise lose their relevant licenses, we may need to replace the brands and products under these sub-licenses, or obtain licenses directly from the relevant brand owners instead. We may not be able to do so in a timely manner or at all. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The size of the existing markets for the products we sell may be smaller than estimated and new market opportunities may not develop as quickly as we expect, or at all, limiting our ability to successfully sell the products.

Certain markets that we currently serve or expect to expand into in the future are evolving, making it difficult to predict with any accuracy the sizes of the markets for the products we sell currently and in the future. Our estimates of the annual total addressable market for the products we sell currently and in the future are based on a number of internal and third-party estimates and assumptions. While we believe our assumptions and the data underlying our estimates of the total addressable market for the products we promote and sell are reasonable, these assumptions and estimates may not be accurate and the conditions supporting our assumptions or estimates, or those underlying the third-party data we have used, may change at any time, thereby reducing the accuracy of our estimates. In addition, our growth strategy involves launching new products and expanding into new markets in which we have limited or no prior experience. Selling new products in existing markets or introducing existing products in new markets may be time consuming to mature, and we cannot be certain that these market opportunities will develop as we expect. As a result, our estimates of the total addressable market for the products we sell may be overstated.

RISK FACTORS

The future growth of the market for the products we sell currently and in the future depends on a number of factors that are beyond our control, including, among others, the recognition and acceptance of the products by our customers and consumers, and the growth, prevalence and costs of competing products. Such recognition and acceptance may not occur in the near term, or at all. If the markets for the products we sell currently or in the future are smaller than estimated or do not develop as we anticipated, our growth may be limited and our business, financial condition and results of operations may be adversely affected.

Our sales and marketing strategies may not be able to adapt to the changes in the market trends and consumer preferences in a timely manner, and our marketing activities may not be cost-effective in attracting consumers. If any of the foregoing occurs, our business, financial condition and results of operations could be harmed.

The success of our business and operations depends on our ability to continuously offer quality products that are attractive to consumers. The industries where we operate are driven in part by fashion and beauty trends, technologies and consumer preferences and behavior, which may shift quickly and have been heavily affected by the rapidly increasing use and proliferation of social and digital media by consumers, and the speed with which information and opinions are shared. As industry trends, technologies and consumers' preferences and behavior continue to evolve, we must also introduce new products, maintain and enhance the recognition of the brands we manage, achieve a favorable mix of products and expand our sales and distribution network. Therefore, our future growth depends on our ability to continuously introduce new brands and products. We have continuously devoted our efforts to launching new brands and products in order to not only adapt to the evolving consumer preferences, but also influence market trends. Introduction of new brands or products and entry into new product categories involve inherent risks, such as those relating to incorrect judgements regarding consumer preferences, market demand and new brand images and pricing. Failure to successfully diversify our brand and product portfolios to adapt to the constantly changing consumer preferences and market trends may cause our profit margin to decrease as we will not be able to recoup the associated costs, may jeopardize our competitive advantages and market share, and may result in continued reliance on our existing brand and product portfolios. Any of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

Our success also partially depends on the products' appeal to a broad range of consumers whose preferences and behavior cannot be predicted with certainty and may shift rapidly, and on our ability to anticipate and respond to evolving industry trends and consumer preferences and behavior in a timely and cost-effective manner through brand management, marketing and promotional activities, and product selection and diversification, among other things. We cannot assure you that we will be able to successfully anticipate and respond to evolving industry trends and consumer preferences and behavior at all times, especially as we continue to broaden our consumer base and diversify our product offerings aimed at consumers with differing characteristics and preferences. In addition, our sales and marketing strategies may not be applicable to new brands that we may launch in the future. In such events, we may need to implement new sales and marketing strategies, which may not be effective. If our sales and

RISK FACTORS

marketing strategies are unable to accurately anticipate and respond to market changes and consumer preferences and behaviors, we may fail to continuously develop products with wide market acceptance, capture emerging growth opportunities, adopt competitive sales strategies for the existing products we sell, or properly predict and manage our inventory. Such failure could also negatively affect the image of the brands we manage and result in diminished customer experience and loyalty. If any of these foregoing instances occur, our business, financial condition and results of operations could be materially and adversely affected.

Our marketing activities may not be well received, successful or cost-effective, which may lead to significantly higher marketing expenses in the future. We may also not be able to continue our existing marketing activities, or successfully identify and utilize new trends in our marketing strategies, channels and approaches that appeal to our targeted consumers. We may also fail to adjust our sales and marketing strategies in a timely manner to stay abreast of the evolving consumer behavior in using internet and mobile devices. Failure to refine our existing marketing strategies or introduce new effective marketing strategies in a cost-effective manner could negatively affect our business, financial condition and results of operation.

During the Track Record Period, we engaged a number of KOLs to promote the products we sell. We cannot assure you that we will be able to find suitable KOLs to work with or continue to maintain our business relationships with our existing KOLs to promote the products we sell. We also cannot guarantee that our marketing strategy in relation to KOLs will be successful or effective in the future as the industry may be affected by factors that are beyond our control, such as tightening regulations or alternative promotion methods.

If the online platforms we rely on to promote and sell the products are interrupted or disrupted for any reason or if our cooperation with such online platforms deteriorates or becomes more costly to maintain or is otherwise terminated for any reason, or if there is any change in the behavior patterns of online consumers, our business and results of operations may be materially and adversely affected.

During the Track Record Period, our online sales were primarily made to (i) online retailers, which procure products from us and sell them to consumers through online platforms; (ii) online distributors, which procure products from us and sell them to online retailers; and (iii) consumers through our self-operated online stores on online platforms. For the years ended March 31, 2022, 2023 and 2024, our revenue generated from the sales to online retailers, online distributors and consumers through our self-operated online stores accounted for approximately 47.5%, 43.3%, 36.0% of our total revenue, respectively.

RISK FACTORS

If (i) the services or operations of the relevant online platforms are interrupted due to, among other things, discontinuation of the platform operation or change of the platform’s business strategies which prevents us from continuing to use their services; (ii) the relevant online platforms fail to provide satisfactory consumer experience and fail to attract new and retain existing users; (iii) our cooperation with such platforms terminates, deteriorates or becomes more costly; (iv) we fail to incentivize such platforms to drive traffic to the relevant online stores or promote the sale of the products; (v) we fail to respond to the changes in internet and mobile penetration, as well as the online marketing industry in China; (vi) we fail to respond to the changes of how KOLs influence the consumer preferences; or (vii) the relevant network infrastructure, such as online or mobile payment platforms, becomes unavailable for any reason, our business and results of operations may be materially and adversely affected. We cannot guarantee that we will be able to find alternative channels on terms and conditions commercially acceptable to us in a timely manner, or at all, especially in respect of the online platforms with leading position and significant influence in China’s e-commerce industry. In addition, any negative publicity about such third-party online platforms, or any public perception or claims that non-authentic, counterfeit or defective goods are sold on such platforms, be it with merit or proven or not, most of which are beyond our control, may deter visits to the platforms and result in less user traffic to the relevant online stores or fewer sales of the products, which may negatively affect our business, financial condition and results of operation.

Moreover, we cannot assure you that we can stay abreast of the constantly changing consumer behavioral patterns and preferences or anticipate product trends that will appeal to existing and potential online customers. Accordingly, a decline in the popularity of online shopping in general or our failure to identify and respond to evolving trends and consumer requirements in the online channels could result in a decreased number of online customers who purchase products from us. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

Disruptions to supply chain, transportation and logistics could harm our business.

During the Track Record Period, we primarily procure products from brand licensors. These suppliers are required to comply with various and extensive production, health, hygiene, safety, labor, export control and other export- and import-related laws and regulations promulgated by the relevant government authorities in the countries and regions where they operate. In the event that they are found to be in breach of the relevant regulations, their supply to us may be affected. Their supply of products may also be affected by, among others, shortages of the relevant materials or interruptions in the global and local transportation systems, labor strikes or shortages, work stoppages, wars, acts of terrorism or other interruptions to or difficulties in the employment of labor or transportation. Furthermore, in the event of a dispute with any supplier, the transportation and delivery of a significant amount of products we purchased may be delayed or canceled, or we may be forced to adjust our procurement plans and business plans. Such events could cause our revenue to fall and costs to increase, thus, materially and adversely affecting our business, financial condition and results of operations.

RISK FACTORS

During the Track Record Period, a substantial amount of the products we sold were imported from foreign countries, which were subject to unexpected disruptions to international transportation and customs requirements, tariffs, inspection and quarantine set by the governments under applicable laws and regulations. There could be adverse changes in these trading restrictions, and failure to comply with customs regulations or other applicable laws and regulations could delay the transportation and delivery of these products we sourced from our suppliers. Any of these events could affect our ability to procure the products from suppliers and deliver them to our customers in a timely manner. In addition, our ability to procure products from different countries and jurisdictions in a timely and cost-effective manner may be affected by the conditions at ports or issues that otherwise affect transportation and warehousing providers, including, among others, port and shipping capacity shortage, labor disputes and severe weather. These issues could delay cross-border delivery of products or require us to locate alternative ports or warehousing providers to avoid disruption of delivery of products to customers. These alternatives may not be available on short notice or could result in substantially high transit costs. Therefore, our business, financial condition and results of operations could be materially and adversely affected.

Our control over our distributors could be limited.

During the Track Record Period, we sold certain number of products to distributors, which subsequently sold them to retailers. Some of these distributors also sell products directly to consumers. For the years ended March 31, 2022, 2023 and 2024, our revenue generated from the sales of products to distributors amounted to RMB469.7 million, RMB567.2 million and RMB560.4 million, accounting for approximately 28.1%, 33.4% and 30.1% of our total revenue for the same years, respectively. For details of our distributors, please refer to the section headed “Business — Sales and Distribution of Products — Distribution Channels” in this document. The performance of our distributors and their ability to sell the products procured from us, uphold the reputation of the brands we manage, and expand their businesses and their sales network are crucial to the future growth of our business and may directly affect our sales volume and profitability. Due to the number of our distributors and the size of the market, it is difficult to closely monitor their practices. We have adopted measures to prevent channel stuffing and cannibalization. For details of these measures, please refer to the section headed “Business — Sales and Distribution of Products — Distribution Channels — Selection and Management of Distributors” in this document. However, we have limited control over the daily business activities of our distributors, and our control over the ultimate retail sales may be limited. We may impose penalties, including the suspension of product supply from us or the termination of our business relationships with the distributors if we discover that any of them has engaged in practices or taken any action that could give rise to any material and adverse impact on our business and operations, which may adversely affect the overall sales of the products they procure from us and our ability to grow our business and profitability.

RISK FACTORS

We may encounter difficulties in maintaining, expanding or optimizing our sales and distribution network.

We rely on our omni-channel distribution network to promote and sell products. Sales to our distributors and retailers accounted for a significant portion of our total revenue. For the years ended March 31, 2022, 2023 and 2024, 74.9%, 78.2% and 75.4% of our total revenue were generated from the sales to distributors and retailers. The competition for high-quality retailers and distributors is intense in our industry. Although we generally maintain exclusive licenses for distributing the designated products in the relevant territories through designated sale channels, and therefore, the distributors and retailers generally cannot procure the same products from our competitors in the same channels and/or territories, however, they may choose to distribute other branded products competing with the products we offer as they may find the agreements and sales and distribution arrangements with us less favorable than our competitors. In addition, we may terminate the relationships with certain distributors and retailers and engage new ones in line with our business strategies from time to time. Finding replacement for distributors and retailers may be time consuming and any resulting delay may be disruptive and costly to our business, and we cannot assure you that we will always be able to maintain our relationship with the existing distributors and retailers or develop relationship with the new distributors and retailers to replace existing ones.

As part of our business growth strategies, we also consistently seek to expand and optimize our sales and distribution network by exploring new distribution channels, engaging new distributors and entering into new geographical regions. However, the success of our expansion is subject to, among other things, the following factors: (i) the existence and availability of suitable distribution channels or geographical regions and locations for the expansion of our sales and distribution network; (ii) our ability to negotiate favorable cooperation terms with our distributors; (iii) the availability of our management and financial resources; (iv) the availability of suitable distributors, especially in lower-tier cities where we rely on the in-depth knowledge of our distributors to penetrate into the local market; (v) our ability to hire, train and retain skilled personnel in our self-operated sales channels; and (vi) the adaptation of our logistics and other operational and management systems to an expanded sales and distribution network.

Accordingly, if we encounter difficulties in maintaining, expanding or optimizing our sales and distribution network in the future, our business, financial condition and results of operations and prospects may be materially and adversely affected.

We are exposed to concentration risk involving our suppliers.

During the Track Record Period, while we procure products from a diverse group of suppliers, certain suppliers contributed a significant portion of our total purchases. For the years ended March 31, 2022, 2023 and 2024, the purchases from our top five suppliers accounted for 85.1%, 84.0% and 81.6% of our total purchases, respectively. Although we have maintained cordial and mutually beneficial relationships with these brand licensors, we cannot assure you that we will be able to maintain our business relationships with them in the future.

RISK FACTORS

If any of them decides to terminate its business relationship with us, our business operation, financial results and competitiveness will be significantly and adversely affected. We may be required to negotiate with and establish business relationships with alternative brand licensors that may not be able offer products that are equally popular or attractive to our customers and consumers compare to the products that are currently in our portfolio. There is no assurance that we will be able to find such suitable replacement in a timely and cost-effective manner, or at all. The loss of business relationships with any of these brand licensors could significantly alter our current business expansion plans and affect the execution of our growth strategies.

Rising global political tensions may have an adverse effect on our business and expansion plans.

International market conditions and the international regulatory environment have historically been affected by the geopolitical frictions, regional conflicts and competition among various countries. Changes to trade policies, treaties and restrictions, or the perception that these changes could trigger a decline of economic conditions in the countries or territories where we sourced the products we sell and where such products are subsequently sold by us, and therefore, could have a material adverse effect on our business, results of operations and financial position.

During the Track Record Period, we primarily procured products from the United States, Europe and Japan. Our business activities involving foreign suppliers expose us to possible sales and/or procurement interruptions or cancellations and increased costs resulting from restrictive trade policies, tariffs and duties, or the perception that these changes could occur. Rising frictions and tensions in international relations may also indirectly adversely affect the demand for our products. Any tensions between these countries or territories could make us susceptible to the negative impacts, operationally, financially and reputationally. Rising political tensions could also reduce the levels of cross-border trades, investments and other economic activities, which would materially and adversely affect the global economic conditions and the stability of global trading and financial markets, and in turn, adversely impacting our business, financial condition and results of operations. Potential political tensions and/or trade disputes may also prevent us from further developing our business relationships with or even maintaining the current level of business relationships with our foreign suppliers. If we fail to respond to these unexpected developments in a timely and effective manner, our business, financial conditions and results of operations may be materially and adversely affected.

If we lose any of the customers that contributed to a substantial portion of our revenue, or our business relationship with them is materially undermined in any way, our business and results of operations may be materially and adversely affected.

We derived a large portion of our revenue from a relatively small number of customers, and made a substantial portion of our purchases from a relatively small number of suppliers, during the Track Record Period, and expect to continue to do so in the near future. The revenue generated from our top five customers for the years ended March 31, 2022, 2023 and 2024

RISK FACTORS

amounted to RMB395.3 million, RMB371.3 million and RMB364.2 million, which accounted for approximately 23.6%, 21.9% and 19.5% of our total revenue, respectively. We cannot assure you that we will be able to maintain or strengthen our relationships with our major customers, or that they will continue to place large purchase orders with us. If there is any significant reduction in the spending on the purchases from us by our major customers due to, among others, industry consolidation, deterioration of their financial conditions, procurement budget cuts, and denial or delayed regulatory approvals, and we are unable to obtain purchase orders of a comparable size and on similar terms from other customers as replacements, our business, financial condition and results of operations may be materially and adversely affected. In addition, should any of our major customers delay or default on making payments to us or at all, our cash flow and financial position could be materially and adversely affected.

Any quality issues related to the products we sell could result in a loss of customers and sales.

The success of our business is partially based on our ability to consistently procure sell high-quality products. Maintaining such consistent product quality relies on the effectiveness of our quality control systems, which in turn depend on a number of factors, including the design and functions of our quality control systems and our ability to ensure that our employees and other third parties involved in our operations adhere to those quality control policies and guidelines. Although we have implemented certain quality control measures in our operations, we cannot assure you that our quality control systems will be effective at all times, or that we can identify any defects in the products we sell to our customers in a timely manner. For details of our quality control measures, please refer to the section headed “Business — Quality Control” in this document. If the quality of any of the products we procure and sell deteriorates for any reason, or if the consumers do not perceive the products to be in high-quality and appealing as they claim to be, we may face product returns, order cancellations and/or customer complaints. Additionally, the products we sell contain a number of ingredients, some of which or the combination of which may have actual or perceived unknown adverse effects on the environment or human health. As a result, there may be, from time to time, complaints or concerns among consumers about certain of the products we sell or in general, which in turn could jeopardize customer’s confidence in such products or us.

Moreover, if any defect or adverse effect of the products we sell results in property damage or personal injury, we may suffer from product liability claims or product recalls, resulting in financial and reputational damages. These legal claims may be expensive for us to defend even if we prevail in the end. Furthermore, if there is a pattern of quality issues in the relevant perfume, skincare, color cosmetic, personal care, eyewear and home fragrance industries in general, consumers’ perception of, and willingness to purchase, the products we sell may also be negatively affected, regardless of whether such quality issues relate to us. Any quality issues related to the products we sell and the relevant industries in which we operate, actual or perceived, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Our expansion and/or development plans to be financed with the net [REDACTED] of the [REDACTED] may not be successful.

The successful implementation of our expansion plans requires significant investments, which may be required to, among others things, develop our self-owned brands and open new self-operated offline Perfume Box shares and other self-operated stores/counters. As a substantial portion of our expenditures must be incurred in advance of any additional sales that can be realized by our expansion plans, securing adequate financing will be crucial. There can be no assurance that such financing will be available on terms acceptable to us, or at all, and our ability to obtain sufficient funding for the execution of our expansion plans and development plans is subject to a variety of uncertainties, including, but not limited to, our future results of operations, financial condition and cash flows, and economic, political and other conditions in the jurisdictions where we operate or plan to operate our businesses. If we are unable to have adequate working capital or obtain financing in a timely manner and at a reasonable cost, our growth, competitive position and future profitability could be materially and adversely affected.

We engage third-party firms to provide certain outsourced services, including warehousing, transportation and advertising and promotion. We have limited control over these service providers, which could adversely affect our business operations in the event any of such services are interrupted or terminated for any reason.

We rely on a number of services provided by third-party service providers in our business operations, including warehousing, customs declaration, transportation and advertising and promotion. Accordingly, we are subject to the risks associated with the abilities of these service providers to provide satisfactory services. Additionally, we may replace these service providers from time to time, and there is a risk that we may suffer interruptions in services as we transit from one third-party provider to another. Moreover, if the cost of our outsourced services is more than expected, or if there is a disruption or breach of our outsourced services that results in a loss or damage to us, in a deficiency of our internal operations or controls, or in an inappropriate disclosure of confidential, proprietary or customer information, or if our ability to distribute the products is interrupted, then our business, financial condition and results of operations could be materially and adversely affected.

Moreover, we cannot guarantee that we will be able to monitor these third-party service providers in connection with their compliance with applicable laws and regulation. In the event they violate any such laws and regulations, our business, financial condition, results of operations and reputation could be adversely affected.

RISK FACTORS

We are dependent on the consumers’ spending on, and their demand for, the products we sell. A reduction in their spending or demand could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The growth of our business partially depends on the demand of the consumers for the products we sell. During the Track Record Period, we have benefitted from an increased demand for the products we sell as a result of the continued growth of the perfume, skincare, color cosmetic, personal care, eyewear and home fragrance industries in China. Any slowdown or reversal of this trend could have a significant adverse effect on the demand for the products we promote and sell. In addition, we are subject to the changes in economic conditions affecting the level of consumer spending on the products we sell. Consumer spending patterns are affected by, among other factors, business conditions, interest rates, taxation, local economic conditions, uncertainties about future economic prospects and shifts in discretionary spending toward other products. Consumer preferences and economic conditions may differ or change from time to time. We cannot guarantee that we will be able to maintain our historical rates of growth in revenue and net profit, or remain profitable. Further, any slowdown of growth in the general economy or uncertainties regarding the future economic prospects could affect consumer spending habits and have a material adverse effect on our business, financial condition and results of operation.

We may not be able to efficiently manage our inventory and the inventory of our retailers and distributors.

Maintaining optimal inventory levels is critical to the success of our business. As of March 31, 2022, 2023 and 2024, the carrying amount of our inventory was RMB417.8 million, RMB357.6 million and RMB390.3 million, respectively. We are exposed to inventory risks as a result of a variety of factors that are beyond our control, including, but not limited to, changing consumption trends and customer preferences, and launches of competing products. Moreover, for stocking purposes, we generally estimate the demand for certain products we sell ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive or obsolescent inventory, and we may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory, which in turn may materially and adversely affect our financial condition and results of operations. On the other hand, inventory under-stock may cause us to lose sales. Any of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

Moreover, we sell some of the products to retailers and distributors, which maintain their own inventories of the products procured from us. We generally do not monitor the inventory levels of our distributors and retailers. Accordingly, we may not be able to accurately track the inventory level of the retailers and distributors or to identify any excessive inventory build-up at various levels of our sales and distribution network. We face higher risks of excessive or obsolescent inventories when we launch new products as the market reception to these products is uncertain. In such event, retailers and distributors that purchase products from us may reduce

RISK FACTORS

future orders until their inventory levels realign with demand from their consumers or retailers, which could materially and adversely affect our business, financial condition and results of operations. Moreover, we allow certain key accounts customers to return unsold products, which typically refer to the products for which they could not meet their sales target for certain period of time, to us under agreed terms and conditions. Revenue generated from the key accounts that enjoy such special product return policies accounted for 7.7%, 5.5% and 6.3% of our total revenue for the years ended March 31, 2022, 2023 and 2024, respectively. The total value of the products returned by these key accounts for reasons other than being defective amounted to RMB4.7 million, RMB6.9 million and RMB5.9 million for the years ended March 31, 2022, 2023 and 2024, respectively. If these retailers return large number of products to us, our financial results and business operation could be materially and adversely affected.

We depend on our key qualified personnel and if we are unable to recruit, train and retain them, we may not achieve our goals.

Our future success depends heavily on the continuing services of our senior executives, talented personnel and other key personnel. Our key personnel’s expertise in business strategies, product design and development, business operations, sales and marketing, regulatory compliance and relationships with our customers and suppliers are crucial to us. We do not maintain key man insurance for any of our key personnel. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and affect our financial condition, results of operations and future prospects. Moreover, our industry is characterized by high demand and intense competition for talented personnel, we may not be able to attract or retain highly skilled employees or key personnel. We cannot assure you that our key personnel will not join a competitor or form a competing business. The competition for qualified personnel may drive up employee compensation expenses, which could materially and adversely affect our financial condition and results of operations.

Our agreements with brand licensors and other business partners may contain provisions relating to operation requirements and/or performance targets, sales and purchases. The failure to satisfy these targets or requirements could subject us to the early termination of the relevant agreements.

Our agreements with business partners, including brand licensors, may contain provisions relating to operational requirements and/or performance targets, such as requirements regarding distributors, targets for the amount of sales and purchases. For instance, our agreements with brand licensors may contain provisions as to (i) the minimum amounts of purchases by our Group from the brand licensors within a specific period of time; (ii) the minimum sales amount that our Group shall sell to its customers within a specific period of time; and/or (iii) selection of distributors. In the event that we fail to meet such minimum purchase amounts or minimum sales targets or if our distributors do not strictly follow the guidance of our brand licensors, some of the distribution agreements provide that the brand licensors are entitled to terminate the relevant distribution agreements with us by prior written

RISK FACTORS

notice. If our distribution agreements with the brand licensors are terminated early, our business operation, financial condition, results of operation and reputation, as well as business prospects could be materially and adversely affected.

If we fail to obtain or renew certain approvals, licenses, permits and/or certificates required for our business operations, our business, financial condition and results of operations could be materially and adversely affected.

Pursuant to the relevant laws and regulations, we are required to obtain and maintain various approvals, licenses, permits and/or certificates from the relevant authorities to operate our business. For details of the approvals, licenses, permits and/or certificates that we need for our business, please refer to the section headed “Business — Licenses, Certificates and Permits” in this document. In addition, we are required to obtain and renew certain certificates, permits and licenses for our business operations. Any failure to obtain or renew such approvals, licenses, permits and/or certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities, which may cause our operations to cease, and may include remedial measures requiring substantial capital expenditure, which could materially and adversely affect our business, financial condition and results of operations.

Some of these approvals, permits, licenses and/or certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. There can be no assurance that we will be able to successfully procure such renewals and/or reassessment on a timely basis or at all. Any failure by us to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and/or certificates necessary to carry out our business at any time could severely disrupt our operations, which could have a material adverse effect on our business, financial condition and results of operations.

If the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenue and/or increase our costs, which could materially reduce our profitability and prospects.

Our failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, distributors, retailers, suppliers or other third parties may have a material adverse effect on our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, customers, distributors, retailers, suppliers or other third parties that could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. Although we have implemented internal controls and policies with regard to the review and

RISK FACTORS

approval of merchant accounts, sales activities, interactions with business partners and government officials and other relevant matters, there can be no assurance that our controls and policies will prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, customers, distributors, retailers, suppliers or other third parties, could subject us to negative publicity that could severely damage the reputation of us or the brands we manage and, if conducted by our employees, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, distributors, retailers, suppliers or other third parties could materially and adversely affect our business, financial condition, results of operations and prospects.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under applicable laws and regulations and are based on the assessment of our operational needs, including property insurance and public liability insurance for our offices, which comprehensively cover major business interruptions and accidental loss, such as fire, water and malicious damage. We do not maintain product liability and professional errors and omissions insurance covering product liability claims arising from the use, consumption or operation of the products we sell and claims arising from our negligence in business operation, which are not required by any applicable laws or regulations. In addition, not all of our subsidiaries maintain public liability insurance covering incidents involving third parties that occur on or in our premises, or directors and officers liability insurance. We do not maintain key-man life insurance on any of our senior management or key personnel, or business interruption insurance. There is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. Any liability or damage to, or caused by, our self-owned distribution channels or our personnel beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources, which could materially and adversely affect our business operation.

Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend.

We may become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activities. While we do not believe that the resolution of any lawsuits against us will, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, litigation to which we subsequently become a party may result in substantial costs, and divert our management's attention and other resources from day-to-day business operation. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

RISK FACTORS

Our insurance may not be sufficient to cover claims brought against us, may not provide sufficient payments to cover all of the costs to resolve one or more such claims and may not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if (i) the claim is outside the scope of the indemnification arrangement we have with our customers; (ii) our customers do not abide by the indemnification arrangement as required; or (iii) the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our business, financial condition, results of operations or reputation.

Failure to comply with applicable advertising laws and regulations when promoting the products we sell may subject us to potential risks and penalties.

We from time to time advertise the brands we manage and the products we sell through various channels, including television, billboards and posters, news and magazines, the internet and social media, which are primarily subject to applicable laws and regulations in mainland China, Hong Kong and Macau. For example, from time to time, we may be scrutinized for the source of certain data or choice of certain words used in our advertising. In April 2024, Qingpu District Market Supervision and Administration Bureau of Shanghai (上海市青浦區市場監督管理局) levied a fine in the amount of RMB30,000 on one of our subsidiaries in Shanghai and ordered it to suspend the publication of the relevant advertisements and eliminate the negative impact of the advertisements because certain products it sold on some of our self-operated online stores on Tmall and Douyin were promoted without basis as required. As advised by our PRC Legal Advisor, according to the Advertising Law of the PRC (《中華人民共和國廣告法》), anyone who publishes false advertisements may be ordered by the relevant market supervision and administration department to suspend such publication, eliminate the impact accordingly, and may be subject to a fine of not less than three times but not more than five times the advertising fee, whereas advertising fee cannot be calculated or is obviously low, a fine of not less than RMB200,000 but not more than RMB1.0 million may be imposed. In addition, according to the Advertising Law of the PRC, advertisers who violate the law more than three times in two years or commit other serious violations, (i) a fine of not less than five times but not more than 10 times the advertising fee shall be imposed; (ii) whereas advertising fee cannot be calculated or is obviously low, a fine of not less than RMB1.0 million but not more than RMB2.0 million may be imposed; (iii) the business license may be revoked; and (iv) the relevant advertisement review authority may revoke the advertisement review approval document, and will not accept any advertisement for review within one year. As of the Latest Practicable Date, we have paid such fine in full, and we have implemented internal control measures to prevent the recurrence of such non-compliance incidents in the future.

In addition, if our employees or the third party service providers we engage fail to comply with such laws and regulations, or the relevant government authorities, ultimately take a view that is inconsistent with our understanding in the process of administrative law enforcement, we may be subject to potential risks and penalties. We cannot assure you that inadvertent non-compliance will not happen in the future, which may subject us to further penalties imposed by the relevant authorities and may further damage the image and reputation of the

RISK FACTORS

brands we manage. We may need to increase compliance costs in the future to comply with applicable advertising or other laws and regulations. Accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we fail to make adequate contributions to various employee benefits plans according to the procedures under the relevant PRC laws and regulations, we may be subject to penalties.

Pursuant to the relevant PRC laws and regulations, employers are obligated to directly and duly contribute to the social insurance and housing provident funds for their employees. As of June 30, 2024, we engaged third-party human resources agencies to make such contributions to the social insurance and housing provident funds for a total of 151 of our employees. We engaged these third-party agencies to make such contributions to the social insurance and housing provident funds for these employees primarily because they prefer their social insurance and housing provident funds to be paid at their respective places of residence for the convenience of utilizing such benefits locally. As advised by our PRC Legal Advisor, with respect to social insurance contributions, if an employer fails to pay social insurance premiums in full and on time, the social insurance premium collection agency shall order it to pay within a time limit or make up the amount, and a late payment fee of 0.05% will be charged on a daily basis from the date of default. If payment is still not made within the time limit, the relevant administrative department shall impose a fine of not less than one time but not more than three times the amount of the unpaid amount. With respect to housing provident funds, if an employer fails to register for housing provident funds or fails to complete the procedures for setting up housing provident fund accounts for its employees, the competent PRC authority shall order it to be completed within a time limit. If it fails to do so within the time limit, it shall be fined not less than RMB10,000 but not more than RMB50,000.

As of the Latest Practicable Date, we had not received any administrative penalty or labor arbitration application from employees for their agency arrangement with third-party human resources agencies. However, we cannot assure you that the relevant local government authorities will not be of the view that this third-party agency arrangement does not satisfy the requirements under the relevant PRC laws, nor can we assure you that such authorities will not require us to pay the social insurance and housing provident fund contributions within a specified time limit or impose late fees or fines on us for our such non-compliance. As of the Latest Practicable Date, none of the third-party human resources agencies that we cooperate with had failed to pay, or delayed in paying, any social insurance premium or housing provident fund contributions for our employees. However, if the human resource agencies fail to pay the social insurance premium or housing provident fund contributions for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered by competent government authorities to rectify such failure or be subject to administrative penalties, which may materially and adversely affect our financial condition and results of operations.

RISK FACTORS

Changes in government regulations or practices affecting the industries where we operate may result in additional costs for us to comply with new regulations.

There may be changes in government regulations or practices affecting the industries where we operate, including those relating to perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. If there is a relaxation in regulatory requirements, or the introduction of simplified approval procedures, the entry barriers for our potential competitors could be lower, which could result in more fierce market competition. On the other hand, if the applicable regulatory requirements become more stringent, it may become more difficult for our brand licensors or us, either through ourselves or our sales and distribution network, to satisfy such requirements, or make the products we sell less cost-effective as we may need to derive more costs to comply with such stringent regulatory requirements. Any of these events could eliminate or substantially reduce the demand for the products we sell, and thus materially and adversely affect our business, financial condition, results of operations and prospects.

Privacy and cybersecurity concerns relating to our use of customer information, or any actual or perceived failure by us or third parties to protect our proprietary data and customer information, or otherwise comply with applicable data protection laws and regulations or privacy policies, could negatively impact our reputation, subject us to governmental or legal obligations and substantially harm our business.

Our business operations involve the collection, use, storage, retention, transfer, disclosure and processing of personal data. Please refer to the section headed “Business — Cybersecurity and Customer Privacy Protection” in this document for further details. Currently, we rely on third-party online platforms for our online sales of products. The aforementioned third-party online platforms share the transaction-related information of our consumers with us, to the extent where it is necessary. We only use such information or data we obtained for analyzing the relevant markets and dealing with consumers, including delivering the products they purchased from us, providing after-sales services and sending up-to-date information about the brands and products.

We are subject to a variety of laws and regulations relating to data security and privacy, including restrictions on the collection, use, storage, retention, transfer, disclosure and other processing of data. For instance, the Standing Committee of the National People’s Congress promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. In addition, on June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “Data Security Law”), which became effective on September 1, 2021. The Data Security Law sets out a number of obligations on data security and privacy undertaken by entities and individuals engaged in data-related activities. The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “Personal Information Protection Law”), which was promulgated on August 20, 2021 and became effective on November 1, 2021, stipulates statutory requirements for when and how personal information processors can handle personal information and codifies the requirements for different situations. The Personal Information Protection Law stipulates, among other things,

RISK FACTORS

the scope of application, the definitions of personal information and sensitive personal information, the requirement on content of personal information processing activity notification, the legal basis on which we may rely for processing personal information and certain internal compliance procedures.

While we strive to comply with our internal data compliance rules as well as all applicable data protection and cybersecurity laws and regulations, any failure or perceived failure to comply with laws and regulations with respect to personal information protection, data security and cybersecurity could subject us to potential liabilities, reputational damage and loss of customer loyalty. In addition, the regulatory landscape for data compliance and cybersecurity is complex and constantly evolving, which could increase our compliance costs and operational complexity. Any failure to closely monitor the relevant regulatory evolutions could subject us to potential liabilities, further materially and adversely affecting our business, financial condition and results of operations.

Further, if there are any defects in our data analytic model, our prediction on consumer behavior may not be accurate in the course of our business. With respect to the accuracy of our data, we rely on the information provided by third-party vendors and those provided and collected directly from our online and offline customers. We do not verify the authenticity of all such data. If the information that we collect is materially inaccurate or false, this may materially and adversely affect our prediction of the market trends as well as the implementation of our growth strategies. As we rely on big data analytics to formulate and adjust the business development and expansion plans for the brands we manage, the failure to collect and analyze certain key data could materially and adversely affect our business, financial condition, results of operation and prospects.

Any significant disruption to our information technology systems, such as a significant cybersecurity incident or service failure by our vendors, may materially interrupt our business operations.

Our business operations are supported by our information technology systems for various functions, including enterprise resource planning, logistics management and docking with e-commerce platform, CRM, accounting system, financial reporting, e-commerce transactions via third-party platforms and offline point-of-sale management. Many of the infrastructure on which such information technology systems are established are provided by third-party cloud service providers. For details of our information technology system, please refer to the section headed “Business — Information Technology System” in this document. These systems are important for maintaining company operation, business efficiency, data quality and timely decision-making. However, our information technology (“IT”) systems are subject to various risks, including system failures (including those by cloud service providers), data inaccuracies, cyber-attacks, data breaches, and other security incidents. If such risks materializes, such occasions could disrupt our operations, compromise our data, and result in significant remediation costs, legal liabilities, and reputational damage. Our business may thereby incur significant disruption that will materially and adversely affect our business, financial condition, results of operation and prospects.

RISK FACTORS

We may face penalties, other administrative fines or challenges from third parties arising from the defects of certain properties owned or leased by us.

We may face penalties, other administrative fines or challenges arising from the defects in properties leased by us, which could adversely affect our business, financial condition, results of operations and prospects. As of the Latest Practicable Date, 45 properties leased by us did not conduct the lease registration and filing (租賃登記備案) in China. These properties were used by us as offices, warehouses and offline stores/counters. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant Chinese government authorities does not affect the validity of the lease agreements, but the relevant Chinese government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so within the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. In the event we fail to register the lease agreements according to the requirements of the relevant PRC government authorities, we may be subject to a fine with the maximum amount of RMB450,000 as of the Latest Practicable Date.

As of the Latest Practicable Date, the lessors of 24 properties leased by us with a total GFA of approximately 939 sq.m. had not provided us with valid title certificates with respect to the leased properties or other ownership or relevant documents evidencing their rights to lease such properties. We used these leased properties as offices and offline stores/counters during the Track Record Period and up to the Latest Practicable Date. Any dispute or claim in relation to these properties, including relevant lessors’ alleged unauthorized lease of these properties, could force us to relocate relevant offices and offline stores/counters. If any of our leases are terminated or becomes unenforceable as a result of challenges raised by third parties, we will need to seek alternative properties, which could incur relocation costs. If we fail to find suitable properties on terms and conditions acceptable to us for the affected operations, our business, financial condition and results of operations may be adversely affected.

We may require additional financing to support our developments or adapt to the changes in business conditions, but we may not be able to obtain additional financing on favorable terms or at all.

We may require additional financing if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue. For details, please refer to the sections headed “Business — Our Business Strategies” and “Future Plans and Use of [REDACTED]” in this document. If our financing is insufficient to satisfy our working capital requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC regulations over foreign investment and the industries where we operate our business. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations and growth. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed

RISK FACTORS

funds on terms favorable to us, or at all, could severely restrict our liquidity, and could have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing Shareholders.

We are subject to environmental protection, fire control and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, chemical or biological hazards or personal injury.

We are subject to a number of environmental, fire control, health and safety laws and regulations in respect of, among others, the warehouses in which we stored certain perfume products. See the section headed “Regulatory Overview” in this document for details. During the Track Record Period, certain of perfumes procured by us and stored in China were not stored in specialized warehouses (“Hazardous Chemicals Warehouses”) according to the Regulation on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》). Failure to properly store hazardous chemicals in accordance with applicable laws and regulations in China may cause the competent government authority to order for rectification and impose a fine of not less than RMB50,000 and not more than RMB100,000, and failure to rectify may result in suspension of business, revocation of the relevant business licenses or change of business scope, and any individual responsible for committing a crime shall be held criminally responsible in accordance with applicable PRC laws and regulations. On March 23, 2023, we received the Decision on Administrative Penalty (行政處罰決定書) issued by the Bureau of Emergency Management in Nanhai District, Foshan City (佛山市南海區應急管理局), which imposed a fine of RMB55,000 on us for not storing the perfumes in Hazardous Chemical Warehouses. As of the Latest Practicable Date, we have paid such fine in full, and have engaged a third-party logistics and warehousing service provider to provide supply chain solutions, including storage and delivery services, for the products that were not properly stored according to the Regulation on the Safety Management of Hazardous Chemicals in Foshan City, Guangdong Province. As of the Latest Practicable Date, all the products we stored in Foshan City had been stored at the warehouse(s) of such service provider. We have entered into a supply chain service agreement with this service provider, pursuant to which (i) it guarantees that it shall maintain all the qualifications necessary to provide the services specified under the agreement, including, but not limited to, the qualifications for warehousing perfumes, color cosmetics and skincare products; and (ii) it shall indemnify us for any losses arising from any non-compliance with the nation-level and industry-level standards. In addition, certain amount of perfumes procured by us and stored in Shanghai were not stored in the Hazardous Chemicals Warehouses during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, the relevant competent authority in Shanghai had not imposed any penalty on us or issued any rectification opinion with respect to such arrangement. To optimize our supply chain management in Shanghai, we have began to negotiate with a third-party logistics and warehousing service provider to provide warehousing and supply chain management services to us as of the Latest Practicable Date. As

RISK FACTORS

advised by our PRC Legal Advisor, based on the current policy and confirmation of our Company, the fact that certain perfumes procured by us and stored in Shanghai were not stored in Hazardous Chemicals Warehouses in Shanghai would not result in any material adverse effect on our Company.

In addition, during the Track Record Period, we did not store certain perfumes, which were classified as Class 3 dangerous goods belonging to the packing group PGII under the Dangerous Goods (Application and Exemption) Regulation 2012 (Chapter 295E of Hong Kong Laws), in compliance with the Dangerous Goods Ordinance (Chapter 295 of Hong Kong Laws) (the “DGO”). During the Track Record Period, there was one summon charged against us for storage of such perfume products in a quantity exceeding the relevant limit under the DGO in August 2022, with a penalty of HK\$10,000. As of the Latest Practicable Date, we have paid such penalty in full. Our management has taken necessary measures to prevent the recurrence of similar incidents, including the enhancement of internal control policy to ensure that the storage of perfume products will comply with the relevant laws and regulations. In addition, we are in the process of engaging third-party logistics providers to design and implement our logistics arrangements such that the storage of a majority of the perfume products to be sold by us, which are classified as dangerous goods under the DGO, will be moved to mainland China and be in compliance with the relevant rules and regulations. However, in the event that our arrangements with the relevant third-party service providers are interrupted or are otherwise ineffective, we may be subject to prosecution by the relevant authorities for non-compliance with the DGO, and our business operation in Hong Kong could be materially and adversely affected.

We cannot assure you that we will be able to comply with all regulations and obtain all the regulatory approvals in respect of environmental protection, fire control and health and safety. Delays or failures in obtaining all the requisite regulatory approvals may affect our ability to launch, store and deliver the products to our customers as planned. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with relevant laws and regulations, we may be subject to rectification orders, substantial fines, or potentially significant monetary damages in our business operations. In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at the warehouses in which we store certain perfume products. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage.

We are exposed to risks in relation to our consignment arrangements with our retailers.

During the Track Record Period, we entered into consignment agreements with certain online and offline retailers. For the years ended March 31, 2022, 2023 and 2024, revenue generated from such consignment arrangement amounted to RMB16.2 million, RMB13.7 million and RMB20.5 million, respectively. Under such arrangements, we, as consignor,

RISK FACTORS

provide the goods to the relevant retailers, as consignees, to be sold to their customers on our behalf. We retain ownership of the goods until they are sold by the consignees, despite the relevant retailers’ possession of the goods during the sales process. We have no managerial control over our retailers in terms of their possession of and their sales process involving, the goods under the consignment arrangements. We cannot assure you that our retailers will at all times strictly adhere to the terms and conditions under our consignment arrangement. Any wrongdoing committed by them may harm our business or give rise to product liability claims or customer complaints against us. If any of these retailers fails to distribute our products in a timely or effective manner or in accordance with the terms of our consignment arrangements, or at all, or if our consignment arrangements are suspended, terminated or otherwise expired without renewal, our business, financial condition, results of operations and reputation may be materially and adversely affected.

If we fail to offer high quality customer service, our business and reputation may be adversely affected.

We believe high quality customer service to consumers, which is a significant part of our customer relations management, is important for the growth of our business, and any failure to maintain such standards of customer service, or a related market perception, could affect our ability to sell products to existing and prospective customers. Providing an exceptional customer experience to consumers requires significant time and resources from our customer service teams. We may be required to increase the staffing of our customer service team, which would increase our operating costs. Therefore, failure to scale our customer service organization adequately may adversely affect our business results and financial condition.

Additionally, as our business rapidly expands, we may need to engage third-party customer service providers, which could further increase our operating costs and negatively affect the quality of the customer experience if such third parties are unable to provide service levels equivalent to ours. The growth of the number of consumers to which we provide customer services will put additional pressure on our customer service teams. We may be unable to hire qualified staff quickly enough or to the extent necessary to accommodate increases in demand. In the event this occurs, our reputation, business, results of operations and prospects could be materially and adversely affected.

Increased labor costs, shortage of labor or deterioration in labor relations could slow our growth and affect our profitability.

There may be an increase of the labor costs in the future. Increases of labor cost may increase our cost of sales, selling and distribution expenses and other expenses arising from our business operations, and we may not be able to pass on such increase to our customers. We may also experience a shortage of labor from time to time. Any such shortage could hinder our ability to provide timely product delivery to customers and maintain or expand our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects. In addition, we seek to maintain favorable labor relations as we believe that our long-term growth depends on the expertise, experience, and development

RISK FACTORS

of our employees. We may have labor disputes in the future if we fail to maintain a cordial relation with our employees. The deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings and reputational damage, labor shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our historical financial and operating results may not be indicative of our future performance.

Our revenue increased from RMB1,674.7 million for the year ended March 31, 2022 to RMB1,699.1 million for the year ended March 31, 2023, and further to RMB1,863.8 million for the year ended March 31, 2024. Our net profit increased from RMB170.9 million for the year ended March 31, 2022 to RMB173.1 million for the year ended March 31, 2023, further to RMB206.5 million for the year ended March 31, 2024. Our financial condition and results of operations may fluctuate due to a number of factors, many of which are beyond our control, including: (i) our ability to retain and increase the number of our customers; (ii) our ability to maintain existing and explore new business relationship with brand licensors; (iii) our ability to maintain or expand our sales and distribution network; (iv) our success in expanding the market share of the products we sell; and (v) our success in marketing and promoting the brands we manage.

In addition, we may not be able to sustain our historical growth rates in future periods, and we may not be able to sustain profitability on an interim or annual basis in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease and in turn, further harm our business, financial condition and results of operation.

The discontinuation of any of the financial incentives currently available to us in the regions where we operate, including government grants, could adversely affect our financial position, results of operation, cash flows and prospects.

During the Track Record Period, we have benefited from government grants and subsidies. We received government grants with the amount of RMB13.3 million, RMB12.0 million and RMB10.7 million for the years ended March 31, 2022, 2023 and 2024, respectively. We may need to satisfy the relevant requirements in order to continue to receive these financial incentives. These incentives are subject to the discretion of the relevant government authorities, which could determine at any time to eliminate or reduce these financial incentives or preferential treatments, generally with prospective effect. Since our receipt of the financial incentives or preferential treatments is subject to periodic time lags according to the government practice, as long as we continue to receive these financial incentives or preferential

RISK FACTORS

treatments, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience.

The amount of EIT payable by us may, as a result of our intra-group transactions, be subject to adjustment by competent authorities, which may materially and adversely affect our profitability and financial condition.

During the Track Record Period, our Group engaged in certain related party transactions. Please see the section headed “Business — Transfer Pricing Arrangement” in this document for details. According to the regulations concerning transfer pricing between associated enterprises, related party transactions shall comply with the arm’s length principle. If the related party transactions fail to comply with such principle, the relevant tax authority has the power to make an adjustment following certain procedures. Please see the section headed “Regulatory Overview — Regulations Relating to Tax — Transfer Pricing” in this document for details.

We cannot guarantee that our transfer pricing policies will not be subject to future inquiries by relevant authorities, nor can we ensure that the relevant regulations governing such arrangements will remain unchanged. If the failure to comply with such principle reduces the amount of income or taxable revenue of the enterprise or its affiliated parties, the tax authority has the power to make an adjustment by reasonable methods. According to the relevant PRC tax laws and regulations, the PRC tax authority has the power to adjust the affiliated transactions within 10 years after the taxable year when such transactions were conducted.

There is uncertainty about the recoverability of our deferred tax assets, which may affect our financial position in the future.

We are required to make judgments, estimates and assumptions about the recognition of our deferred tax assets. As of March 31, 2022, 2023 and 2024, we had deferred tax assets of RMB11.6 million, RMB12.0 million and RMB17.1 million, respectively. For details of the movements of our deferred tax assets during the Track Record Period, please refer to note 20 of the Accountant’s Report set out in Appendix I to this document. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and tax losses. This requires significant judgment on the tax treatments of certain transactions and also an assessment on the probability, timing and adequacy of future taxable profits available for the deferred tax to be recovered. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. The realization of deferred income tax assets depends primarily on our estimate of whether sufficient future profits will be available. If sufficient future taxable profits are not expected to be generated or if taxable profits are lower than expected, we may fail to recover our deferred tax assets, which may have a material adverse effect on our financial condition in the future.

RISK FACTORS

Fluctuations in exchange rates of the RMB and HKD could result in foreign currency exchange losses.

The [REDACTED] from the [REDACTED] will be received in HKD. In addition, we primarily sell the products in mainland China and Hong Kong, which are primarily sourced from the Europe, the United States and Japan. Accordingly, we primarily pay the suppliers in EUR, USD and JPY or other foreign currencies, and being paid by the customers in HKD and RMB. As a result, any appreciation or depreciation of HKD or RMB against EUR, USD and JPY or other foreign currencies may affect the value of our [REDACTED] from the [REDACTED] or our profits. We recorded exchange gains of RMB31.8 million for the year ended March 31, 2022, exchange losses of RMB17.4 million for the year ended March 31, 2023 and exchange losses of RMB1.6 million for the year ended March 31, 2024. The exchange rate of HKD or RMB against EUR, USD and JPY or other foreign currencies is affected by, among other things, the policies of the PRC government and changes in China’s and international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may affect the exchange rate between HKD or RMB and EUR, USD and JPY or other foreign currencies in the future, which could result in a significant appreciation or depreciation of HKD or RMB against EUR, USD and JPY or other foreign currencies.

In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our securities may be materially and adversely affected.

We will become a public company upon completion of the [REDACTED], and our internal controls will be essential to the integrity of our business and financial results. Our public reporting obligations are expected to place a strain on our management, operational and financial resources and systems in the foreseeable future. In order to address our internal controls issues and to generally enhance our internal controls and compliance environment, we have taken various measures to improve our internal controls and procedures including establishing a compliance program, adopting new policies, and providing extensive and ongoing training on our controls, procedures and policies to our full-time employees. In addition, in preparation for the [REDACTED], we have implemented other measures to further enhance our internal controls, and plan to take steps to further improve our internal controls.

If we fail to establish and maintain an adequate internal control system, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could limit our access to capital markets, adversely affect our results of operations and

RISK FACTORS

lead to a decline in the trading price of our securities. Ineffective internal controls could also expose us to an increased risk of fraud or misuse of corporate assets and subject us to potential [REDACTED] from the stock exchange on which we [REDACTED] or to other regulatory investigations and civil or criminal sanctions. In addition, after we become a public company, our reporting obligations may place a significant strain on its management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation of our prior deficiencies in our internal control over financial reporting. Any of the foregoing could adversely affect our business, reputation and financial condition.

We may be subject to infringement claims from third parties, and we may be unable to protect our intellectual properties from unauthorized use, either of which could reduce the value of the brands we manage and harm our business and competitive market position.

Intellectual property rights are important to our business. We rely on a combination of copyright, know-how, trade secret, patent and trademark laws and third-party no disclosure agreements to protect our intellectual property rights and products. Please refer to the section headed “Appendix IV — Statutory and General Information — C. Further Information about our Business — 2. Material intellectual property rights of our Group” in this document for details of our intellectual properties. Effective protection of patents, trademarks, copyrights and domain names is expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. It is often difficult to register, maintain and enforce intellectual property rights. Statutory laws and regulations are subject to judicial interpretation and enforcement. Any of these factors could prevent us from effectively protecting our intellectual property rights. Moreover, we rely on the intellectual property rights of our brand licensors to protect our rights in the products we sell. We cannot assure you that the intellectual property rights of our brand licensors or us will not be challenged, invalidated, circumvented or rendered unenforceable, or that meaningful protection or adequate remedies will be available to us. For instance, it may be possible for unauthorized third parties to copy the intellectual properties of our brand licensors or us, or to obtain and use information that we or our brand licensors regard as proprietary. Additionally, third parties may assert exclusive patent, copyright and other intellectual property rights against us or our brand licensors. We may also be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of images, fonts or music in our advertising and promotional activities, as well as computer software.

We or our brand licensors may not be able to defend the intellectual property rights in these disputes. Any litigation arising from these claims could result in substantial costs to us and divert our resources. If any intellectual property claims against us or our brand licensors are successful, we may not have a legal right to continue to use or sell products that are adjudicated to have infringed third parties’ intellectual property rights, or use the relevant images, fonts or music in our advertising and promotional activities, as well as computer software in our day-to-day operation. We may be legally required to expend significant

RISK FACTORS

resources to replace the existing products we sell so that they do not infringe third parties’ intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. As a result, our reputation, business, financial condition and results of operations could be materially and adversely affected.

The share-based compensation adopted by us may materially and adversely affect our results of operations and dilute your interest in our Company.

On December 1, 2019 and March 31, 2024, Eternal BVI granted a total of 26,194,000 options (the “BVI Options”) under the share option scheme of Eternal BVI to certain directors, senior management and key employees of various subsidiaries of our Group (collectively, the “BVI Options Grantees”). In addition, as part of the Corporate Reorganization, the [REDACTED] Share Option Scheme of our Company was adopted on June 18, 2024, and pursuant to which 26,194,000 options (the “Cayman Options”) were granted to the BVI Options Grantees on June 24, 2024 and July 8, 2024, respectively, in exchange for the surrender and cancellation of the BVI Options on a one-to-one basis. For details, please refer to the section headed “History, Development and Corporate Structure — Corporate Development and Reorganization — Exchange of BVI Options for Cayman Options” in this document. The share-based compensation could potentially dilute the shareholding of existing Shareholders, and we may record share-based compensation expenses in our income statement. We may continue to grant share-based compensation awards to employees in the future. Our expenses associated with share-based compensation may increase, which may affect our financial condition and results of operations. We may re-evaluate the vesting schedules, lock-up period, or other key terms applicable to the grants under the share-based compensation schemes from time to time. If we choose to do so, we may experience a substantial change in our share-based compensation expenses in the reporting periods, which could materially affect our financial results.

We face risks related to other unforeseeable events, such as outbreak of contagious diseases, including COVID-19, occurrence of force majeure events, regulatory changes and/or natural disasters, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreaks of widespread health epidemics, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. Outbreaks of contagious diseases and other adverse public health developments in which we operate and conduct business could severely damage our supply chain operation, or impair the works of our workforce. The outbreak of any severe epidemic disease, such as avian flu, H1N1 flu, SARS or the COVID-19, may disrupt our business operations such as offline sales channels, which could negatively affect our financial condition, results of operations, supply chain management and future prospects.

The COVID-19 pandemic affected our business in terms of our sales, supply chain, logistics, financial performances and future business plans. For details of such impact, please refer to the section headed “Business — Impact of COVID-19 pandemic on our Group” in this document. Although the World Health Organization has declared that the COVID-19 pandemic is no longer a global health emergency, we cannot assure you that there will not be a recurrence

RISK FACTORS

of the COVID-19 pandemic. Should there be a recurrence of the COVID-19 pandemic, stringent measures may be taken to protect the health of residents, which may negatively affect our offline business, which could materially and adversely affect our business, financial condition and results of operations.

We may be materially and adversely affected by any negative publicity concerning us, our business, Shareholders, affiliates, Directors, senior management and employees, as well as our third-party business partners and the industry in which we operate, regardless of its accuracy, which could harm our reputation, business, financial condition and prospects.

Negative publicity about us, our business, Shareholders, affiliates, Directors, senior management and employees, as well as our third-party business partners, including our suppliers and strategic partners, and the industries in which we operate, can harm our reputation and our ability to retain brand licensors and customers. Negative publicity concerning us and these parties could be related to a wide variety of matters, including, but are not limited to: (i) misconduct, alleged or otherwise, or other improper activities committed by our Directors, Shareholders, senior management, affiliates and employees, including any misrepresentation made by our senior management or employees in the course of discharging their duties; (ii) false or malicious allegations or rumors about us or our Directors, Shareholders, senior management, affiliates and employees; (iii) complaints by our customers about the products we sell or our customer services; (iv) disputes with our suppliers; (v) security breaches of our customers' or employees' confidential information; (vi) employment-related complaints and claims relating to alleged employment discrimination, wage and hour violations, miscalculations involving and delays in the payments of staff salaries and/or bonuses; and (vii) governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws and regulations.

We may also be exposed to the risk of any illegal action or misconduct of our third party business partners, including our suppliers. Any negative publicity and claims asserted against them or fines imposed upon them as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. In addition, negative publicity of the industry in which we operate may materially and adversely affect our business prospects and results of operations.

In addition to traditional media, there has been an increasing use of social media and similar platforms, including instant messaging applications, such as WeChat, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of customers and other interested persons. The availability of information on instant messaging applications and social media platforms is virtually immediate, without affording us, our Shareholders, affiliates, Directors, senior management, employees or third-party business partners an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning us, our business, our Shareholders, affiliates, Directors, senior management, employees or third-party business partners may be

RISK FACTORS

posted on such platforms at any time. The risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm our reputation, business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE REGIONS WHERE WE OPERATE

The economic, political and social conditions, as well as regulatory policies, significantly affect the overall economic growth of the regions where we operate, and the failure to respond to the relevant developments in them may have material adverse effects on our business.

Our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in the regions where we operate. Our business, financial condition and results of operations may be adversely affected by the following factors:

- an economic slowdown in the place where we operate;
- inaccurate assessment of the economic conditions of the markets in which we operate;
- economic policies and initiatives undertaken by the government;
- changes to prevailing market interest rates;
- a higher rate of bankruptcy; and
- government regulations on capital investments or changes in tax regulations.

Any slowdown in the economic growth of the regions where we operate may reduce the demand for the products we promote and sell and could materially and adversely affect our business, financial condition, results of operation and prospect.

The PRC laws and regulations may evolve from time to time.

The PRC legal system is based on written statutes. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China.

RISK FACTORS

In particular, PRC laws and regulations concerning the industries where we operate, including perfumes, skincare products, color cosmetics, eyewear, home fragrances and personal care industries, are developing and evolving. The PRC government authorities may promulgate new laws and regulations to regulate these relevant industries in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to these relevant industries. Moreover, developments in the industries where we operate may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may restrict our business operations, which could materially and adversely affect our business, financial condition and results of operations.

The filing with the CSRC is required in connection with our overseas [REDACTED] and [REDACTED] and our future capital raising activities.

On February 17, 2023, the CSRC released Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and five relevant guidelines, which became effective on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies which, after the overseas offering and listing, offers subsequent securities in the same overseas market or conducts offering and listing in other overseas markets (the “Future Offering”), shall complete the filing procedures and report relevant information to the CSRC. The Overseas Listing Trial Measures provide that if the issuer meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering by PRC domestic companies, and subject to the filing procedure: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited combined financial statements for the most recent fiscal year is accounted for by PRC domestic companies; and (ii) the issuer’s key business activities are conducted in China, or its primary place(s) of business are located in China, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in China. Whether an offering constitutes an “indirect overseas offering” and whether a listing is made by a “PRC domestic company” shall be determined on a substance-over-form basis. Please refer to the section headed “Regulatory Overview — Laws and Regulations Related to Overseas Listing” in this document for more information.

Based on the foregoing, for any Future Offering after this [REDACTED], we may be required to comply with the filing procedure of the CSRC. Any failure to complete filings procedures may have a material adverse effect on us.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計畫外匯管

RISK FACTORS

理有關問題的通知》) (the “SAFE Circular 7”). Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Additionally, the Circular on Foreign Exchange Administration of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular 37”), which was promulgated by the SAFE in July 2014, stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local branches before they exercise the share options. The share options granted by us will be subject to these regulations. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary’s ability to distribute dividends to us, or otherwise materially adversely affect our business.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

You may have limited resources in effecting services of legal process or enforcing overseas judgments against us, our Shareholders, Directors and senior management.

We are an exempted company incorporated in the Cayman Islands. A substantial portion of our current operations, including the assets for these operations, are located in mainland China, Hong Kong and Macau. In addition, some of our current officers are nationals and/or residents of the mainland China, Hong Kong and Macau and substantially all of the assets of these persons are located in the mainland China, Hong Kong and Macau. As a result, it may

RISK FACTORS

be difficult or impossible for you to effect service of process upon us or these persons, or to bring an action against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise.

On January 18, 2019, the Supreme People’s Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “2019 Arrangement”), which has taken effect on January 29, 2024. The 2019 Arrangement seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between mainland China and Hong Kong, based on criteria other than a written bilateral choice of court agreement. Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases, subject to the conditions set forth in the 2019 Arrangement. However, we cannot assure you that all final judgments will be recognized and effectively enforced by the relevant PRC and Hong Kong court.

Overseas securities regulators may not be able to collect information without proper authorization in the PRC.

Overseas securities regulators in the jurisdictions where the investors reside may not have established a regulatory cooperation with the PRC authorities to efficiently conduct investigation and collect evidence in the PRC. Even if such cooperation has been established, overseas securities regulators may not be able to obtain information needed for regulatory investigations or litigation without obtaining approval from relevant PRC government authorities to collect the information. For instance, according to Article 177 of the Securities Law of the PRC (《中華人民共和國證券法》), which became effective in March 2020, no overseas securities regulator may directly conduct investigations or collect evidence and no entities or individuals may provide documents or materials in connection with securities activities without proper authorization as stipulated under Article 177 of the Securities Law of the PRC. The inability of an overseas securities regulator to collect information within the PRC may increase difficulties faced by our investors in protecting their interests.

We receive dividends and other distributions on equity paid by our subsidiaries to fund a portion of our cash and financing requirements. Limitations on the ability of our subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

Our Company receives dividends and other distributions on equity paid by our subsidiaries to fund a portion of our cash and financing requirements, including, among others, the funds necessary to pay dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. In addition, we expect that the number of our subsidiaries will continue to increase in the future. If any of our subsidiaries in the PRC incurs debt on its own behalf in the future, the instruments governing the debt may

RISK FACTORS

restrict its ability to pay dividends or make other distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by the subsidiary only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, each of our subsidiaries in the PRC is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve, until the accumulated amount of such reserve has exceeded 50% of its registered capital. These reserves are not distributable as cash dividends. As a result of these PRC laws and regulations, our subsidiaries may be restricted in their ability to transfer the net profit to us in the form of dividends. Limitations on the ability of our subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends or otherwise fund and conduct our business.

Dividends paid by our PRC subsidiaries to us are subject to PRC withholding taxes.

Under the EIT Law and its implementation rules, unless otherwise provided a 10% withholding tax is applicable to the profit of a foreign-invested enterprise distributed to its immediate holding company outside China to the extent the distributed profit is sourced from China, (i) if the immediate holding company is neither a PRC resident enterprise nor has any establishment or place of business in China, or (ii) if the immediate holding company has an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and China, this rate may be lowered to 5% if a Hong Kong resident enterprise directly owns over 25% of the Chinese company at all times during the 12-month period immediately prior to obtaining a dividend from such company. In addition, according to the Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the SAT on February 20, 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, Chinese tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We cannot assure you that Chinese tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiaries in Hong Kong from our Chinese subsidiaries or that Chinese tax authorities will not levy a higher withholding tax rate on these dividends in the future. In accordance with the Administrative Measures for Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受協議待遇管理辦法》), which was promulgated by the SAT and came into effect on January 1, 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities’ post-filing administration.

RISK FACTORS

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the Shares. The liquidity, trading volume and market price of our Shares may be volatile.

Prior to the [REDACTED], there has not been a public market for our Shares. Although application has been made for the [REDACTED], we cannot assure you that an active public market for our Shares will develop or that the market price of our Shares will not decline below their initial [REDACTED]. The [REDACTED] of our Shares will be determined through negotiation between us, the [REDACTED] and the [REDACTED] and it may not be indicative of the market price of the Shares after the [REDACTED] is completed. You may be unable to sell your Shares at or above the [REDACTED], and as a result, may lose all or part of your investment in such Shares. Failure in the development of an active and liquid public trading market may materially and adversely affect the market price and liquidity of our Shares.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] combined net tangible asset value. There can be no assurance that if we were to immediately liquidate after the [REDACTED], any assets will be distributed to Shareholders after the creditors’ claims. In addition, to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be [REDACTED] Shares outstanding immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), assuming no exercise of the [REDACTED]. Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the [REDACTED]. See “[REDACTED]” in this document for further details. However, the [REDACTED] may release these securities from these restrictions and such Shares will be freely tradable after the expiry of the lock-up period.

RISK FACTORS

The market price and trading volume of our Shares may decline if securities or industry analysts do not publish research reports about our business, or they adversely change their recommendations regarding our Shares.

The trading market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our Controlling Shareholders have substantial influence over our Company and their interests may not align with the interests of our other Shareholders.

Immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme, our Company will be owned as to [REDACTED]% by Eternal International, which is in turn held by Mr. Lau and Mrs. Lau as to 90% and 10% respectively. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the [REDACTED]. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

Prior dividend distributions are not an indication of our future dividend policy.

We declared and distributed dividends of RMB128.1 million, RMB189.4 million and RMB314.3 million for the years ended March 31, 2022, 2023 and 2024 to our controlling Shareholders, respectively, after elimination of intra-group dividends. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the applicable laws and regulations, including (where required) the approvals from our Shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends, or make any dividend payments at all. For further details of the dividend policy of our Company, please see the section headed “Financial Information — Dividends” in this document.

RISK FACTORS

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net [REDACTED] from the [REDACTED] in a number of ways, including (i) further develop our self-owned brands; (ii) develop and expand our self-operated retailer channels, including Perfume Box stores and other self-operated offline stores/counters; (iii) accelerate our digital transformation to, among other things, streamline our business operations and strengthen the support for our full-cycle consumer management program; and (iv) enhance the recognition and reputation of our Group. See the section headed “Future Plans and Use of [REDACTED] — Use of [REDACTED]” in this document for details. However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

Waivers have been granted from compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for[, and the Stock Exchange has granted to us], a number of waivers from strict compliance with the Listing Rules. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules” in this document for further details. There is no assurance that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could adversely affect us and our Shareholders.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is different under the laws of the Cayman Islands when compared with the laws of Hong Kong or other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those in other jurisdictions.

RISK FACTORS

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this document.

Certain facts and statistics in this document, including but not limited to information and statistics relating to the global and PRC industries of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances are based on the Frost & Sullivan Report or are derived from various publicly available publications, which our Directors believe to be reliable. We cannot guarantee the quality or reliability of such facts and statistics. We have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report. However, these facts and statistics have not been independently verified by us, the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] (excluding Frost & Sullivan in respect of the Frost & Sullivan Report and the information therein) and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information compiled by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this document.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “going forward”, “intend”, “plan”, “project”, “seek”, “expect”, “may”, “ought to”, “should”, “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this document to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which contained, among other things, certain financial information, projections, valuations and other

RISK FACTORS

forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions based on the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [REDACTED].

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our Company must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the “relevant experience” of the individual:

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Chung Kok Kuen (“**Ms. Chung**”) as one of our joint company secretaries on July 12, 2024. Ms. Chung joined our Group in June 2006 and was promoted to associate director of the office of president in January 2021, responsible for administrative management of the office of president, coordination of inter department and regulatory compliance. We believe that having regard to her past experience in handling our corporate matters, she has a thorough understanding of our operations and our Board, and is able to perform her duties as our joint company secretary. However, Ms. Chung presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Yeung Siu Lam (“**Ms. Yeung**”), who is a Hong Kong resident and possesses the

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

qualification and relevant experience as stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary of our Company. For more details of the biographies of Ms. Chung and Ms. Yeung, see “Directors and Senior Management — Joint Company Secretaries” in this document.

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the proposed arrangements below:

- (i) Ms. Yeung, one of the joint company secretaries of our Company who satisfies the requirements under Rule 3.28 of the Listing Rules, will assist Ms. Chung so as to enable her to discharge her duties and responsibilities as a joint company secretary of our Company. Given Ms. Yeung’s relevant experiences, Ms. Yeung will be able to advise both Ms. Chung and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (ii) our Company undertakes to re-apply to the Stock Exchange in the event that Ms. Yeung ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary;
- (iii) Ms. Yeung will communicate with Ms. Chung on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Ms. Yeung will work closely with, and provide assistance to Ms. Chung with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders’ general meetings;
- (iv) pursuant to Rule 3.29 of the Listing Rules, Ms. Chung and Ms. Yeung will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Chung and Ms. Yeung will be advised by the legal advisers of our Company as to Hong Kong laws and the Compliance Adviser of the Company as and when appropriate and require;
- (v) our Company will ensure that Ms. Chung has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Ms. Chung will endeavor to attend such training; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (vi) our Company has appointed Alliance Capital Partners Limited as its Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the [REDACTED] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the [REDACTED], or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to our Company and Ms. Chung as to the compliance with the Listing Rules and all other applicable laws and regulations.

The waiver is valid for an initial period of three years commencing from the [REDACTED], and will be revoked immediately if Ms. Yeung ceases to provide assistance and guidance to Ms. Chung, or if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the initial three-year period, our Company will re-evaluate the qualifications and experiences of Ms. Chung and liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Chung, having had the benefit of Ms. Yeung's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that a further waiver would not be necessary.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
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Executive Directors

Lau Kui Wing	Flat A, 16/F, Tower 3, Regency Park 3 Wah King Hill Road Kwai Chung, New Territories Hong Kong	Chinese
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Lam King	Flat A, 51/F, Block 5, Vision City 1 Yeung Uk Road, Tsuen Wan Hong Kong	Chinese
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Lau Wing Yin	Flat B, 8/F, Tower 4, Regency Park 3 Wah King Hill Road Kwai Chung, New Territories Hong Kong	Chinese
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Chu Wai Tsun, Baggio	Flat C, 18/F., Sun Kong Building 2-J Sai Young Choi St, Mong Kok Kowloon Hong Kong	Chinese
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Independent non-executive Directors

Tao Chi Keung	Flat A, 7/F, Tower 2B 12 Muk Tai Street Monaco Kai Tak, Kowloon Hong Kong	Chinese
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Nagy Guillaume Nicolas Sébastien	112 Kim Seng Road #16-03 Singapore 239432	French
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Chan Soh Cheng	Sheares Ville Unit 08-06 9 Holt Road Singapore 249446	Singaporean
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For further information about our Directors, please refer to “Directors and Senior Management” in this Document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

BNP Paribas Securities (Asia) Limited

60/F. and 63/F.

Two International Finance Centre

8 Finance Street

Central

Hong Kong

CITIC Securities (Hong Kong) Limited

18/F, One Pacific Place

88 Queensway

Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisers to Our Company

As to Hong Kong law:

Morgan, Lewis & Bockius

19/F, Edinburgh Tower

The Landmark

15 Queen’s Road Central

Hong Kong

As to PRC law:

Beijing Jingtian & Gongcheng Law Firm

Room 1401A, Tower 2

Kerry Center Qianhai

Qianhai Avenue

Nanshan District

Shenzhen, Guangdong Province

PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisers to the Joint Sponsors and the [REDACTED]

As to Hong Kong and U.S. laws:

Sullivan & Cromwell (Hong Kong) LLP

20/F, Alexandra House

18 Chater Road

Central

Hong Kong

As to PRC law:

JunHe LLP

28/F, GDH BCC

No. 21 Zhujiang West Road

Zhujiang New Town

Tianhe District, Guangzhou

Guangdong Province

PRC

Auditors and Reporting Accountants

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22/F Prince’s Building

Central

Hong Kong

Independent Industry Consultant

Frost & Sullivan Limited

Unit 3006, 30/F

Two Exchange Square

8 Connaught Place

Central

Hong Kong

[REDACTED]

Compliance Adviser

Alliance Capital Partners Limited

Room 03, 7/F

Worldwide House

19 Des Voeux Road Central

Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and Principal Place of Business in Hong Kong	22F, Enterprise Square Two No. 3 Sheung Yuet Road Kowloon Hong Kong
Company’s Website	<u>www.eternal.hk</u> <i>(The contents of this website do not form part of this document)</i>
Joint Company Secretaries	Ms. Chung Kok Kuen (鐘閣娟) 22F, Enterprise Square Two No. 3 Sheung Yuet Road Kowloon Hong Kong Ms. Yeung Siu Lam (楊兆琳) <i>An Associate of The Hong Kong Chartered Governance Institute</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Audit Committee	Mr. Tao Chi Keung (<i>Chairman</i>) Mr. Nagy Guillaume Nicolas Sébastien Ms. Chan Soh Cheng
Remuneration Committee	Mr. Nagy Guillaume Nicolas Sébastien (<i>Chairman</i>) Ms. Lam King Mr. Tao Chi Keung
Nomination Committee	Mr. Lau Kui Wing (<i>Chairman</i>) Mr. Tao Chi Keung Ms. Chan Soh Cheng

CORPORATE INFORMATION

Authorized Representatives

Ms. Lam King
Flat A, 51/F, Block 5
Vision City
1 Yeung Uk Road
Tsuen Wan
Hong Kong

Mr. Chu Wai Tsun, Baggio
Flat C, 18/F, Sun Kong Building
2-J Sai Young Choi St
Mong Kok, Kowloon
Hong Kong

[REDACTED]

Principal Banks

Bank of China (Hong Kong) Limited
9/F BOC Mongkok Commercial Centre
589 Nathan Road
Mongkok, Kowloon
Hong Kong

DBS Bank (Hong Kong) Ltd
G/F, The Center
99 Queen's Road Central
Central
Hong Kong

INDUSTRY OVERVIEW

This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as the Frost & Sullivan Report. The information from official government publications and the Frost & Sullivan Report may not be consistent with information available from other sources within or outside mainland China and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information and statistics from official government sources have not been independently verified by us, the [REDACTED], the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of the [REDACTED], any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the [REDACTED] (other than Frost & Sullivan), and no representation is given as to their accuracy and the information and statistics from official government sources shall not be relied upon in making, or refraining from making, any investment decision.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent consulting firm, to conduct a detailed research on the perfume industry, skincare industry, color cosmetics industry, personal care industry, eyewear industry, and home fragrances industry from 2018 to 2028. The report commissioned has been prepared by Frost & Sullivan independent of our influence. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. In connection with the market research services provided, we have agreed to pay a fee of US\$168,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed “Summary”, “Risk Factors”, “Business”, “Financial Information” and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the target research markets. Primary research involved interviewing with industry participants. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research data base.

The Frost & Sullivan Report was compiled based primarily on the following assumptions: (i) the Chinese economy will grow at a steady rate and (ii) the social, economic, and political stability in China will continue during the forecast period, which will ensure a sustainable and steady development of the cosmetics industry, including, perfumes, skincare products, color cosmetics and personal care products, and the eyewear and home fragrance markets in China.

INDUSTRY OVERVIEW

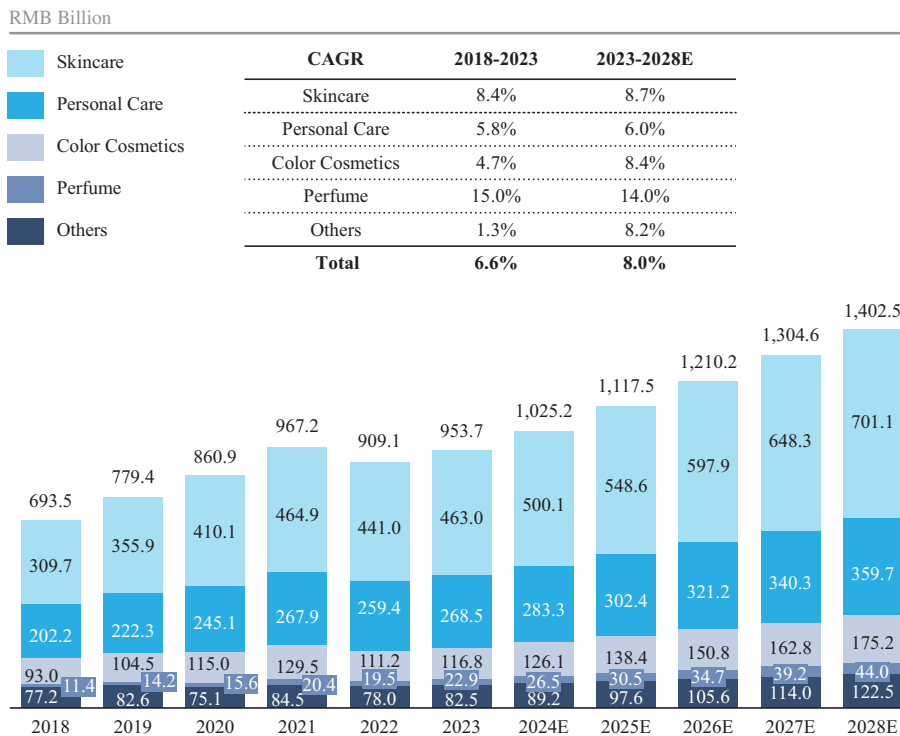
Our Directors confirmed that, after taking reasonable care, as of the Latest Practicable Date, there had been no adverse change in the market information set forth herein since the date on which the Frost & Sullivan Report was issued.

OVERVIEW OF COSMETICS INDUSTRY IN CHINA

China has the second largest cosmetics market in the world, with a market share of 11.9% in the global cosmetics industry in terms of retail sales in 2023. According to Frost & Sullivan, the cosmetics industry in China demonstrated rapid growth from 2017 to 2021 due to the rise in the consumption expenditure, while the growth was partially offset by the impact of the COVID-19 pandemic on the cosmetics industry in 2022. The market size of the cosmetics industry in China, in terms of retail sales grew from RMB693.5 billion in 2018 to RMB953.7 billion in 2023, representing a CAGR of 6.6%. China’s cosmetics industry boasts the highest growth rate among all major economies¹ in the world. According to Frost & Sullivan, the market size of cosmetics industry in China is expected to reach RMB1,402.5 billion in terms of retail sales in 2028, representing a CAGR of 8.0% from 2023.

According to Frost & Sullivan, cosmetics products can be divided into five categories: skincare, personal care, color cosmetics, perfumes and others. Others primarily include maternity and childcare, deodorants and depilatory products. The following chart illustrates the market size of the cosmetics industry in China by product category in terms of retail sales from 2018 to 2028:

Market Size of Cosmetics Industry in China in terms of Retail Sales by Product Categories, 2018-2028E



Source: The Frost & Sullivan Report

¹ Major economies refer to countries with more than USD2.0 trillion of nominal GDP in 2023.

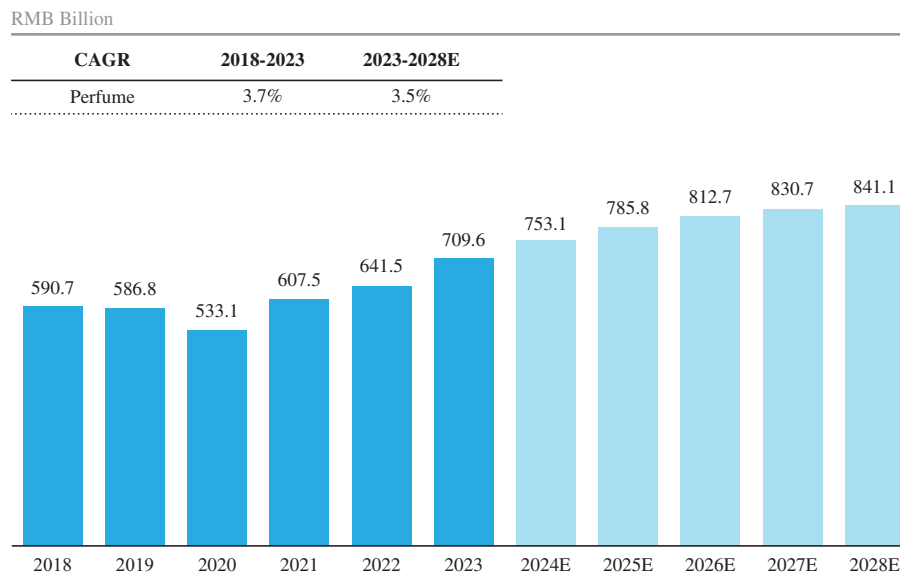
INDUSTRY OVERVIEW

OVERVIEW OF THE GLOBAL PERFUME INDUSTRY

Perfume refers to fragrant liquid, which is typically made from essential oils extracted from flowers and spices and used to provide a pleasant smell to one’s hair, body or clothes. The main components of the perfume are alcohol, essence and a small amount of water. The different volatilization rate of essential oil generally differentiates the scent of perfume into three stages, including top note, middle note and base note.

According to Frost & Sullivan, the United States, Brazil, France, Germany and United Kingdom are the top five countries in terms of the market size of perfumes in 2023. The market size in terms of retail sales of perfumes globally increased from RMB590.7 billion in 2018 to RMB709.6 billion in 2023 with a CAGR of 3.7%, and is expected to grow to RMB841.1 billion in 2028 with a CAGR of 3.5%. The following chart illustrates the market size of the global perfumes market in terms of retail sales from 2018 to 2028:

**Market Size of Global Perfume Industry,
2018-2028E**



Source: The Frost & Sullivan Report

INDUSTRY OVERVIEW

According to Frost & Sullivan, the per capita expenditure on perfume in China is relatively low compared to other developed countries. This is primarily attributable to the lower penetration of perfumes in China and China’s large population size. Currently, the penetration rate of perfumes in China is lower than that in other developed countries, such as Japan, South Korea, the United States and the United Kingdom. However, as China’s economy continues to develop steadily and given its large population size, the positive correlation between economic growth and perfume consumption is expected to increase the penetration rate of perfumes, driving the growth of the market size in China. In addition, China has been experiencing rapid growth in the per capita expenditure on perfume in recent years. According to Frost & Sullivan, the per capita expenditure on perfumes in China amounted to RMB16 in 2023, which was substantially lower than that in Japan, South Korea, the United States and the United Kingdom in 2023, amounting to RMB47, RMB170, RMB423 and RMB406, respectively. According to Frost & Sullivan, the significant disparity between the per capita expenditure on perfumes in China and that in other developed regions indicates the potential for growth in the Chinese market. Furthermore, it is expected that the per capita expenditure on perfumes in China will grow at a CAGR of 14.0% from 2023 to 2028, which outperforms Japan, South Korea, the United States, and the United Kingdom for the same periods. According to Frost & Sullivan, the upward trend of China’s per capita expenditure on perfume was attributable to the increasing popularity and acceptance of perfumes among Chinese consumers, which indicate that there is ample room for growth and expansion in the China’s perfume industry.

OVERVIEW OF PERFUME INDUSTRY IN MAINLAND CHINA, HONG KONG AND MACAU

Overview of China’s Perfume Industry

Overview

According to Frost & Sullivan, China’s perfume industry went through (i) the embryonic stage before 1978, during which the consumption of perfumes was not popular and international brands of perfumes had not entered into China’s market; (ii) the development stage from 1978 to 2000, during which China was in the early stage of market reform, resulting in the slow development of perfumes market, and international brands of perfumes began to enter into China with limited types of products; (iii) the accelerated development stage from 2000 to 2015, during which large international perfumes groups accelerated their entry into China and the number of local perfume manufacturers began to rise. At this stage, international brands occupied the high-end market, while China’s local brands focused on the mass market. In addition, local players for perfumes began to rely on online channels to sell the products; and (iv) the high-quality development stage from 2015 to present, during which China’s perfumes market became relatively mature, the industry norm gradually improved, and the awareness of China’s consumers for perfumes rapidly increased. At this stage, the perfumes of international brands still occupied a large market share and became the main driver of growth in China’s perfumes market. In addition, the sales through e-commerce platforms have been rapidly growing, which accelerated the development of China’s perfumes market.

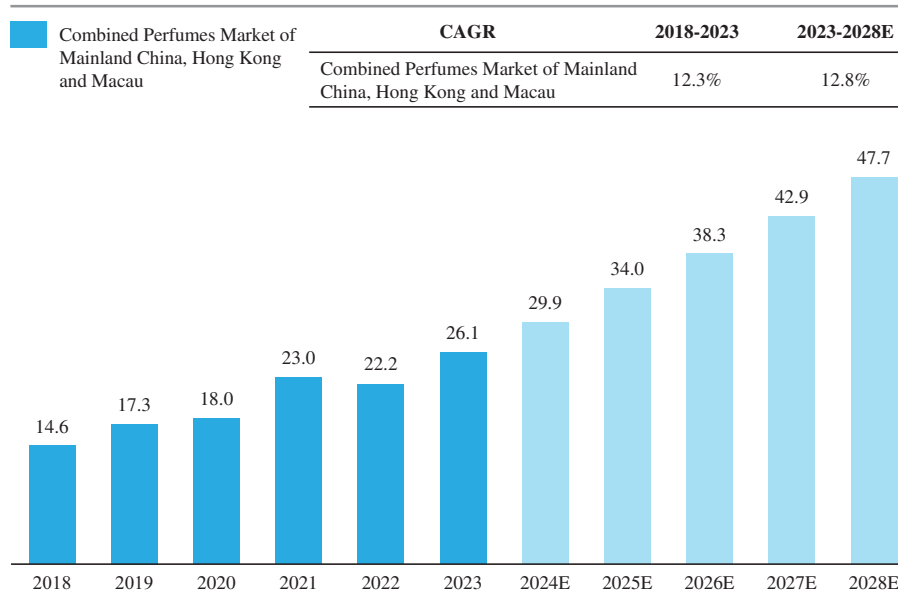
INDUSTRY OVERVIEW

The raw materials of perfumes sold in China primarily include ethanol and glycerol. According to Frost & Sullivan, the price of ethanol increased from RMB5,482 per ton in 2018 to RMB6,690 per ton in 2023 with a CAGR of approximately 4.1%, and the price of glycerol decreased from RMB6,869 in 2018 to RMB4,338 in 2023 with a CAGR of approximately -8.8%.

The total market size in terms of retail sales of perfumes in mainland China, Hong Kong and Macau increased from RMB14.6 billion in 2018 to RMB26.1 billion in 2023 with a CAGR of approximately 12.3%, and is expected to further grow to RMB47.7 billion in 2028, representing a CAGR of approximately 12.8% from 2023 to 2028.

Market Size of the Combined Perfumes Market of Mainland China, Hong Kong and Macau, 2018-2028E

RMB Billion, 2018-2028E

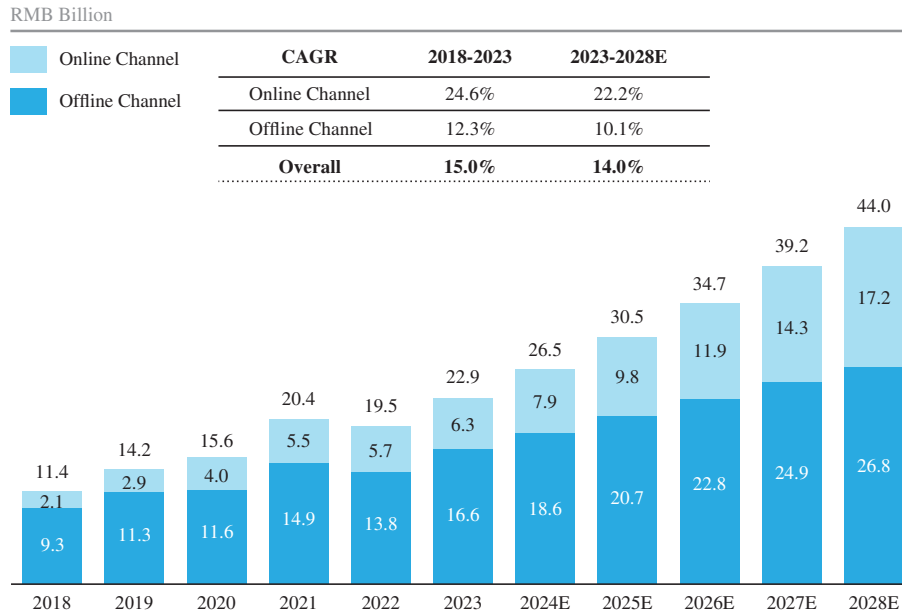


Source: Frost & Sullivan

INDUSTRY OVERVIEW

The market size in terms of retail sales of perfumes in China increased from RMB11.4 billion in 2018 to RMB22.9 billion in 2023 with a CAGR of approximately 15.0%, and is expected to grow to RMB44.0 billion in 2028 with a CAGR of approximately 14.0%. The following chart illustrates the market size of China’s perfumes market by online and offline channels from 2018 to 2028:

Breakdown of China’s Perfumes Market by Online and Offline Channels, 2018-2028E

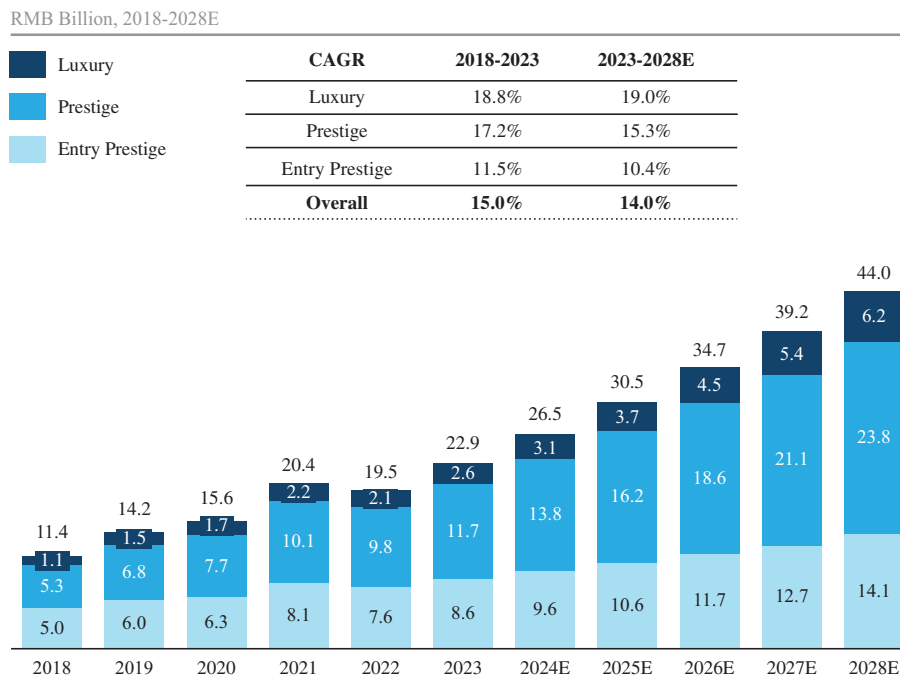


Source: The Frost & Sullivan Report

INDUSTRY OVERVIEW

According to Frost & Sullivan, the products in China’s perfumes market can be divided into three categories by price ranges, including (i) entry prestige perfumes, usually with the prices at or below RMB599 per 50 ml; (ii) prestige perfumes, usually with the prices ranging from RMB600 to RMB1,199 per 50 ml; and (iii) luxury perfumes, usually with the prices at or above RMB1,200 per 50 ml. The following chart illustrates the market size of China’s perfumes market by price ranges from 2018 to 2028:

Breakdown of China’s Perfumes Market by Price Ranges, 2018-2028E

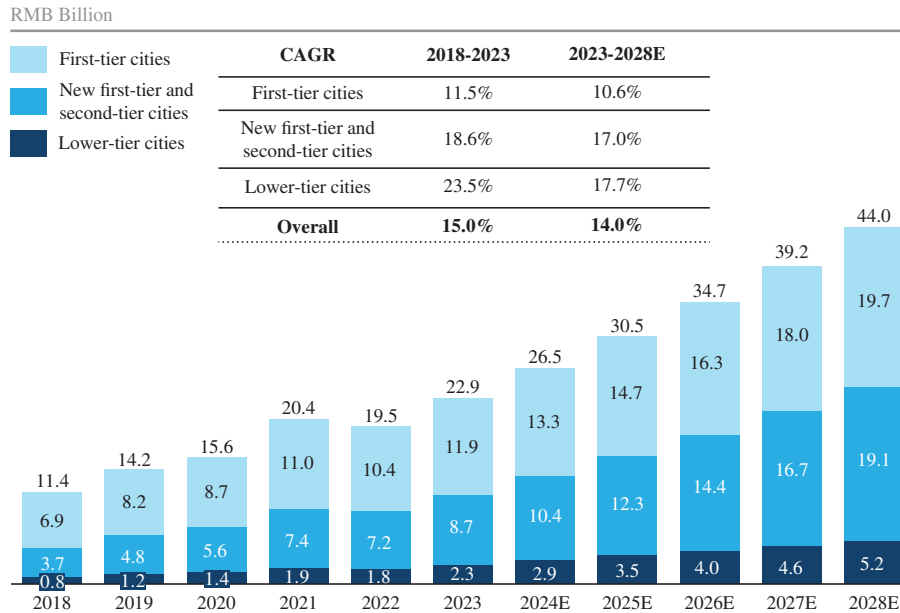


Source: The Frost & Sullivan Report

INDUSTRY OVERVIEW

According to Frost & Sullivan, the cities in China can generally be categorized into first tier, new first tier and second tier, and lower tier. The following chart illustrates the market size of China’s perfumes market by tiers of cities from 2018 to 2028:

**Breakdown of China’s Perfumes Market by Tiers of Cities,
2018-2028E**



Source: The Frost & Sullivan Report

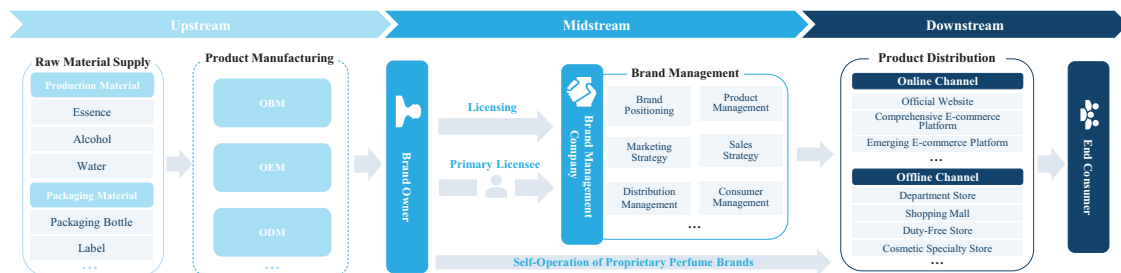
Business Model of China’s Perfume Industry

According to Frost & Sullivan, China’s perfume industry consists of (i) upstream, which includes raw material supply and product manufacturing; (ii) midstream, which includes brand management; Brand management can be conducted by either brand owners or brand management companies. Brand management companies include primary licensees, which directly obtain authorization from the brand owners, or secondary licensees who obtain authorization from the primary licensees; and (iii) downstream, which includes product distribution to end-consumers through various sales channels.

INDUSTRY OVERVIEW

The following diagram illustrates the industrial chain of China’s perfume industry:

Industrial Chain of China’s Perfume Industry



Source: The Frost & Sullivan Report

Brand Management

Brand management is in the midstream of China’s perfume industry, which includes two main business models: (i) self-operation by brand owner, in which the perfume brand owner independently manages all aspects of the business, including product development, marketing, and the establishment and oversight of sales channels. The brand owner has complete control throughout the entire value chain to shape and manage the brand’s image; and (ii) cooperation between a brand owner and a brand management company, in which the brand management company receives primary license directly from the brand owner or secondary license from a primary licensee to manage all aspects of the business of the brand in designated regions.

Brand management by brand management companies provides multiple benefits to brand owners, including, but not limited to, (i) alleviating financial pressure and operational burdens for the brand owners, as they can utilize the resources of the brand management companies to rapidly enter the local markets leveraging established sales and distribution network of the local partners; (ii) leveraging the local expertise of the brand management companies with respect to marketing strategies, brand positioning, product management, sales strategy and distribution management to facilitate a successful sales by cater to specific preferences and behaviors of the target consumers in the relevant regions; and (iii) sharing the operational risks with the brand management companies.

Distribution Channels and Sales Models

The sales channels in China’s perfume industry include (i) online channels, primarily including official websites, comprehensive e-commerce platforms and emerging e-commerce platforms; and (ii) offline channels, primarily including department stores, shopping malls, cosmetic specialty stores and boutique and perfumeries stores. There are three sales models in the perfume industry, and brand owners and brand management companies generally adopt corresponding sales model according to their demand and competitive advantages. Firstly,

INDUSTRY OVERVIEW

brand owners and brand management companies can sell perfume products directly to end-consumers through self-operated channels. Secondly, selling product through retailers is also a common way for brand owners and brand management companies. Moreover, they also sell products through sales channels operated by distributors to expand the market coverage and reach a wider consumer base.

Competitive Landscape

Competitive Landscape of China’s Perfume Industry

We are the fourth largest perfume group in China in terms of the retail sales in 2023, with a market share of approximately 8.1%. We ranked the first among the brand management companies in terms of retail sales of perfume products in 2023. The chart below sets forth details of the top five perfume groups in China in terms of the retail sales in 2023:

Ranking of Top 5 Perfume Groups⁽¹⁾ in China, 2023

Ranking	Group Name	Operator	Market Share
1	Group A ⁽²⁾	Brand Owner	10.4%
2	Group B ⁽³⁾	Brand Owner	10.2%
3	Group C ⁽⁴⁾	Brand Owner	9.0%
4	Our Group	Brand Management Company	8.1%
5	Group D ⁽⁵⁾	Brand Owner	7.2%

Source: *The Frost & Sullivan Report*

Notes:

- (1) Perfume group refers to the company that operates perfume brands, including both the brand owners, which have proprietary ownership over the brands, and brand management companies, which are licensed by the brand owners or primary licensees to manage the brands.
- (2) Group A is a private company, which was founded in 1910 in France and provides consumers with, among others, clothing, perfumes and accessories.
- (3) Group B is a listed company based in France and founded in 1987, which mainly provides consumers with perfumes, cosmetics and jewelry.
- (4) Group C is a listed company based in France and founded in 1909, which provides consumers with skincare products and cosmetics, among others.
- (5) Group D is a listed company based in the United States and founded in 1946, which mainly provides consumers with cosmetics and perfumes.

INDUSTRY OVERVIEW

Seven brands which were managed by us in China are among the top 30 perfume brands in China in terms of the retail sales in 2023, with a market share of approximately 4.0%, 1.6%, 0.7%, 0.7%, 0.4%, 0.4% and 0.3%, respectively. Among the operators of the top 30 perfume brands, we were the one of the only two brand management companies.

Competitive Landscape of the Combined Perfumes Markets of Mainland China, Hong Kong and Macau

We are the third largest perfume group in the combined markets of mainland China, Hong Kong and Macau in terms of retail sales in 2023, with a market share of approximately 9.3%. The chart below sets forth details of the top five perfume groups in the combined markets of mainland China, Hong Kong and Macau in terms of the retail sales in 2023:

Ranking of Top 5 Perfume Groups⁽¹⁾ in Combined Markets of Mainland China, Hong Kong and Macau, 2023

Ranking	Group Name	Operator	Market Share
1	Group A	Brand Owner	10.6%
2	Group B	Brand Owner	9.4%
3	Our Group	Brand Management Company	9.3%
4	Group C	Brand Owner	9.1%
5	Group D	Brand Owner	8.3%

Source: *The Frost & Sullivan Report*

Note:

- (1) Perfume group refers to the company that operates perfume brands, including both the brand owners, which have proprietary ownership over the brands, and brand management companies, which are licensed by the brand owners or primary licensees to manage the brands.

INDUSTRY OVERVIEW

8 brands which were managed by us in the combined perfumes market of mainland China, Hong Kong and Macau are among the top 30 perfume brands in this combined market in terms of the retail sales in 2023, with a market shares of approximately 4.2%, 1.6%, 0.8%, 0.7%, 0.5%, 0.4%, 0.4% and 0.3%, respectively. Among the operators of the top 30 perfume brands, we were the one of the only two brand management companies.

Growth Drivers and Development Trends of China’s Perfumes Market

The key growth drivers of China’s perfumes market are set forth below:

- *Synergy of economic growth and the development of e-commerce catalyze the perfume penetration in lower-tier cities:* Perfume has become a part of the daily life of the middle class in lower-tier cities in China due to the economic development and rapid urbanization in lower-tier cities, which improved the financial status of the rising middle class in these regions and fostered their awareness of personal image and taste. Moreover, online channels provide an expansive and accessible platform for perfume brands to meticulously target their consumer base, conduct precision marketing and deliver personalized recommendations, which enhanced the purchasing desire of consumers and fostered strong brand loyalty. Accordingly, the development of e-commerce allowed perfume brands to further penetrate China’s market, especially in lower-tier cities where online channels can still effectively reach without brick-and-mortar stores.
- *Increasing usage of perfume leads to increasing purchase frequency:* In the wake of increasing awareness of perfume products among Chinese consumers, there is an increasing number of consumers who have begun to apply multiple times of the same perfume or apply different types of perfume for diversified occasions during the day. Increasing usage of perfume leads to increasing purchase frequency, which has stimulated the growing momentum of the perfume industry in China.
- *Evolution of consumer perception creates more consumption scenarios:* The reason for Chinese consumers to purchase and wear perfume has evolved from physical needs to psychological needs, such as expressing individuality, boosting confidence, enriching personal life-style, aromatherapy, reliving old memories, and more. They believe perfume is not just to mask body odor but to project and amplify their individuality in the form of scents. Under this background, Chinese consumers purchase perfumes not just for daily usage, but also for collection and gift, among others.

The key development trends of China’s perfumes market are set forth below:

- *China is becoming the next global frontier for perfumes:* China has one of the fastest-growing perfumes market in the world and it is expected to continue such momentum in the future. Existing perfume brands have launched exclusive perfume products for Chinese consumers in the past, and more brands are planning to explore exclusive product lines in the Chinese market. Furthermore, there was an increasing number of international brands entering the Chinese market. According to Frost & Sullivan, more international brands are eager to establish their presence in China in the near future.

INDUSTRY OVERVIEW

- *International perfume brands cooperate with local operators:* International perfume brands were generally recognized for their premium quality, long track record of operating history and inspiring brand philosophy. However, there are some entry barriers for them to establish and expand business operations in China, including weak relationships with major retailers, limited distribution networks, and lack of understanding of the Chinese market and Chinese consumer preferences, among other things. The cooperation between international perfume brands and local operators forms a formidable and mutually beneficial partnership. Local operators are among the key factors for the success of international perfume brands.
- *Integration among online and offline channels:* Unlike other consumer industries, offline experience is vital to the perfumes industry, in which consumers need to smell and experience the perfumes to understand their features. Similarly, the online platform is the major channel for news feeds and shopping. There will be an increasing integration between the offline stores and online platforms, in which consumers learn detailed information about the products on online platform, and then have first-hand experience with interested products offline. As pricing of online and offline channels are converging, offline channels with better experience remain the preferred choice for most end customers to purchase perfume.
- *International brands continue to dominate the market:* International brands continue to maintain their dominant position due to their exceptional quality, strong brand influence, and advanced market strategies. Moreover, companies of international brands possess extensive capabilities in research and development, technology and product innovation, which allow them to cater to the diverse needs of consumers. These brands also adeptly employ various marketing strategies to enhance brand awareness and influence, which effectively attract consumers, further solidifying their dominance in the market. Chinese consumers increasingly prioritize personal image and quality of life, leading to a rising demand for lifestyle products, such as perfumes, during which quality and brand reputation are also taken into consideration.

Key Entry Barriers in China’s Perfumes Market

The key entry barriers of China’s perfumes market include the following:

- *Comprehensive capabilities and resources on operation:* The perfume business requires comprehensive capabilities regarding product development, marketing, sales coverage and risk-sharing. Leading perfume brands are more likely to recruit or cooperate with top perfume makers due to their financial position and reputation. Furthermore, leading perfume brands are normally under a mega-sized cosmetic group that has a generous budget for marketing, and are able to balance any loss of perfume product lines with other revenue-making product lines. They normally have more than one successful product lines.

INDUSTRY OVERVIEW

- *Profound brand history:* Perfume is considered as non-essential consumer product, which means that people tend to purchase it while they begin to pursue a high-quality lifestyle. With respect to perfumes, consumers tend to weigh more on product quality and emotional interaction with the brand over price. Hence, perfume brands with profound brand history naturally gain more attraction to consumers.
- *Strong capital resource:* Unlike other consumer products, product manufacturers might leverage existing mold or raw materials to reduce cost, however, each flavor of perfume requires a high degree of customization on production that large amount of upfront cost is inevitable. The scent is extremely subjective among consumers, and the return on each flavor is highly unpredictable. Those brands with strong capital resources have a better chance to launch a successful scent and extend their market understanding to develop more successful scents.
- *Venturing into China’s perfumes market poses challenges for international brands:* Entering the Chinese market poses a formidable challenge for international perfume brands due to cultural disparities, local competition, regulatory constraints and the need to build robust sales networks and brand recognition. Consequently, partnering with local brand management companies, such as our Company, becomes crucial. The expertise of local brand management companies in regulatory nuances, insights into branding and marketing strategies, and ability to promote a brand’s culture and awareness demand profound knowledge of the local markets, experienced and highly skilled teams of professionals, and considerable time and capital investments.
- *An extensive, efficient and multi-channel sales network:* Establishing a sales network requires substantial investments in infrastructure, logistics and distribution channels. To maintain this network also requires meeting regulatory requirements and building partnerships with distributors, retailers and e-commerce platforms. Accordingly, established brand management companies with strong sales and distribution networks hold a competitive advantage, making it challenging for newcomers to compete with them effectively.

INDUSTRY OVERVIEW

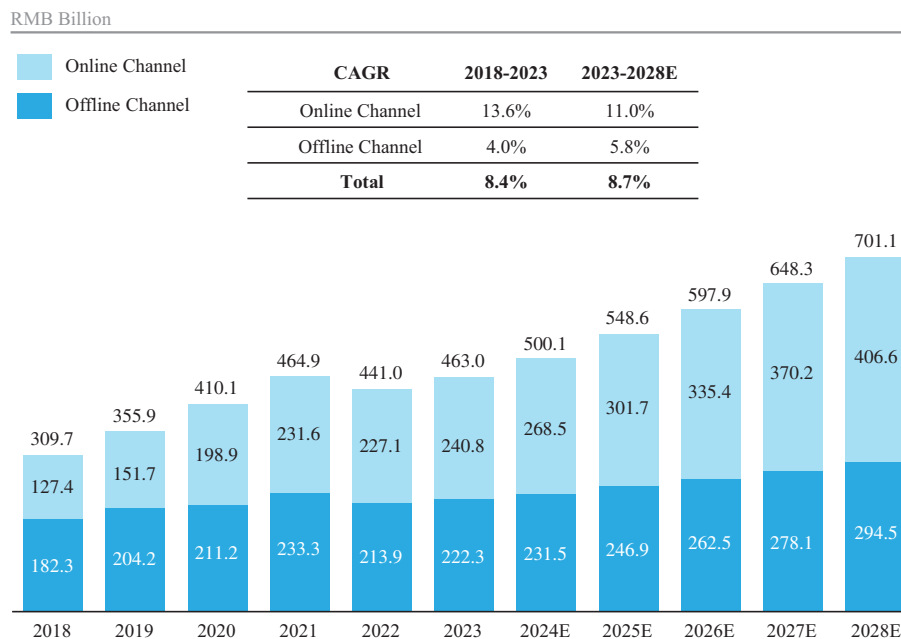
OVERVIEW OF CHINA’S OTHER MAJOR COSMETIC INDUSTRY

Overview of China’s Skincare Industry

Skincare products refer to products that improve skin integrity, provide relief to skin conditions and address specific skin concerns, including acne, dark spots, hyperpigmentation, fine lines and inflammation. Skincare products can be mainly divided into facial care, body care, hand care and others. Facial care products include, among others, facial cleanser, toner, facial moisturizer, essence, cream, face mask and sun protection. Body care products include, among others, body cream and body lotion. Hand care products include, among others, hand cream, hand lotion and hand sanitizer.

The market size in terms of retail sales of skincare products in China increased from RMB309.7 billion in 2018 to RMB463.0 billion in 2023 with a CAGR of approximately 8.4%, and is expected to grow to RMB701.1 billion in 2028 with a CAGR of approximately 8.7%. The following chart illustrates the market size of China’s skincare market by online and offline channels from 2018 to 2028:

Breakdown of China’s Skincare Market by Online and Offline Channels, 2018-2028E



Source: The Frost & Sullivan Report

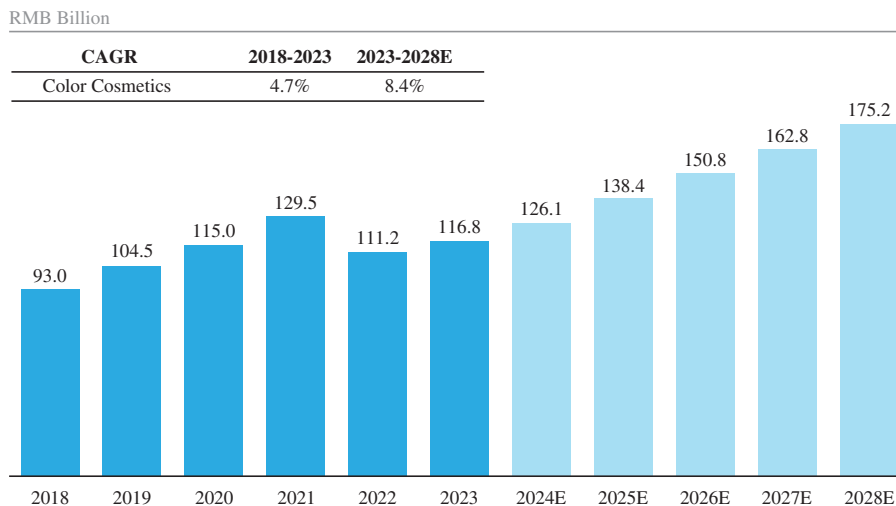
INDUSTRY OVERVIEW

Overview of China’s Color Cosmetics Industry

Color cosmetics refer to the act of applying makeup to emphasize or alter the colors of one’s skin, lips, eyes, face, or other areas of the body in daily life, which aim at accentuating personal features, enhancing skin tone, or creating diverse appearance styles. Color cosmetics products can be mainly divided into (i) facial products, such as foundation, concealer, powder, blusher and highlighter; (ii) eye products, such as eye liner, eye shadow and mascara; (iii) lip products, such as lipstick and lip gloss; and (iv) others.

The market size in terms of retail sales of color cosmetics in China increased from RMB93.0 billion in 2018 to RMB116.8 billion in 2023 with a CAGR of approximately 4.7%, and is expected to grow to RMB175.2 billion in 2028 with a CAGR of approximately 8.4%. The following chart illustrates the market size of China’s color cosmetics market from 2018 to 2028:

Market Size of China’s Color Cosmetic Industry, 2018-2028E



Source: The Frost & Sullivan Report

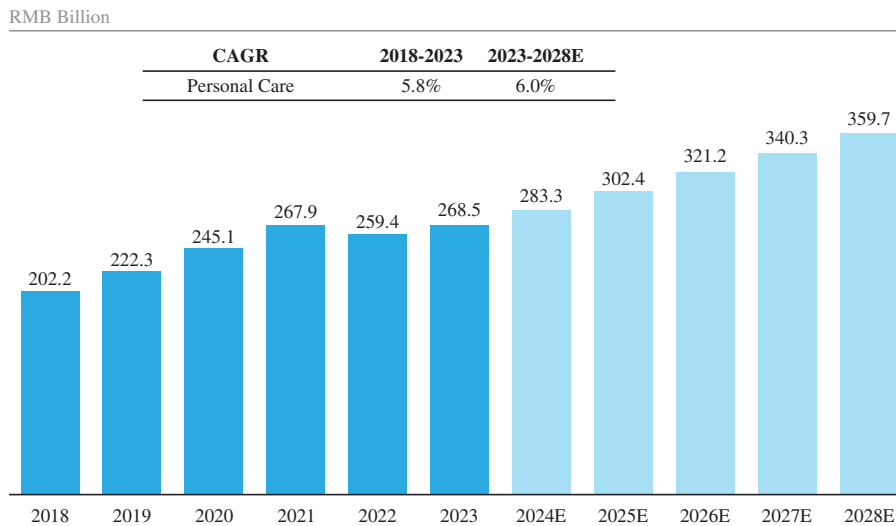
INDUSTRY OVERVIEW

Overview of China’s Personal Care Industry

Personal care refers to products that can clean and repair the skin, body and hair, among others, of people, which mainly include bath and shower products, hair care and oral care products.

The market size in terms of retail sales of personal care in China increased from RMB202.2 billion in 2018 to RMB268.5 billion in 2023 with a CAGR of approximately 5.8%, and is expected to grow to RMB359.7 billion in 2028 with a CAGR of approximately 6.0%. The following chart illustrates the market size of China’s personal care market from 2018 to 2028:

Market Size of China’s Personal Care Industry, 2018-2028E



Source: The Frost & Sullivan Report

Growth Drivers and Development Trends of China’s Other Major Cosmetic Market

The key growth drivers of China’s other major cosmetics market are set forth below:

- Growing willingness and capabilities to consume:* With the steady growth of China’s economy and the improvement in the living standards of Chinese people, per capita expenditure on cosmetic products in China is expected to grow. In addition, the rapid economic development and acceleration of urbanization have gradually enhanced the purchasing power and awareness of personalized lifestyle among consumers in China’s lower-tier cities. The development of e-commerce has also enabled brands to directly deliver products, convey brand philosophy and provide beauty knowledge to consumers in lower-tier cities. As a result, there are significant opportunities and potential in the cosmetics market in lower-tier cities.

INDUSTRY OVERVIEW

- *Youthful and diversified consumer groups:* The demand for beauty and personality expression among the younger generation is growing. This is primarily driven by their exposure to various beauty information and recommendation on the internet, films, television shows and anime imitation makeups trends, making them a crucial consumer force in this market. In addition, mature consumers are increasingly purchasing premium products, and male consumers are becoming more attentive to their image, both of which further drive the market’s growth.
- *Development of emerging social media and e-commerce channels:* The emergence of media platforms and innovative marketing methods has enhanced the shopping experience for internet users and fostered their interests in cosmetic products. Consumer experiences and recommendations shared on social media and e-commerce channels can stimulate the purchasing desire of other consumers. In addition, the growth of these platforms provides a more convenient shopping experience, allowing consumers to access detailed information and tutorials on cosmetics products.

The key development trends of China’s other major cosmetics market are set forth below:

- *Popularity of multi-brand operational model:* It is essential for the companies to adopt a multi-brand strategy to effectively compete with competitors. By offering multiple brands, cosmetics companies can better address the specific demands of various consumers. This approach also allows companies to flexibly formulate differentiated sales and marketing strategies tailored to different consumer segments. Furthermore, a multi-brand operational model mitigates risks associated with business concentration and market volatility.
- *Brand power development:* Both the leading brands and emerging brands are actively enhancing their brand power and competitiveness. Emerging brands are increasingly focusing on product research and development, incorporating internationally advanced technologies and concepts. Meanwhile, leading brands are leveraging various marketing channels to boost their brand awareness, including active participation in fashion events and collaborations with social media influencers.
- *Increasing investment on research and development:* Companies in this market are continuously innovating to enhance product quality, develop products tailored to different skin type, and meet the aesthetic preferences of Chinese consumers. They are also increasing investing in product design, integrating fashion and personality to make products more visually attractive, fashionable and unique, thereby enhancing brand image.

INDUSTRY OVERVIEW

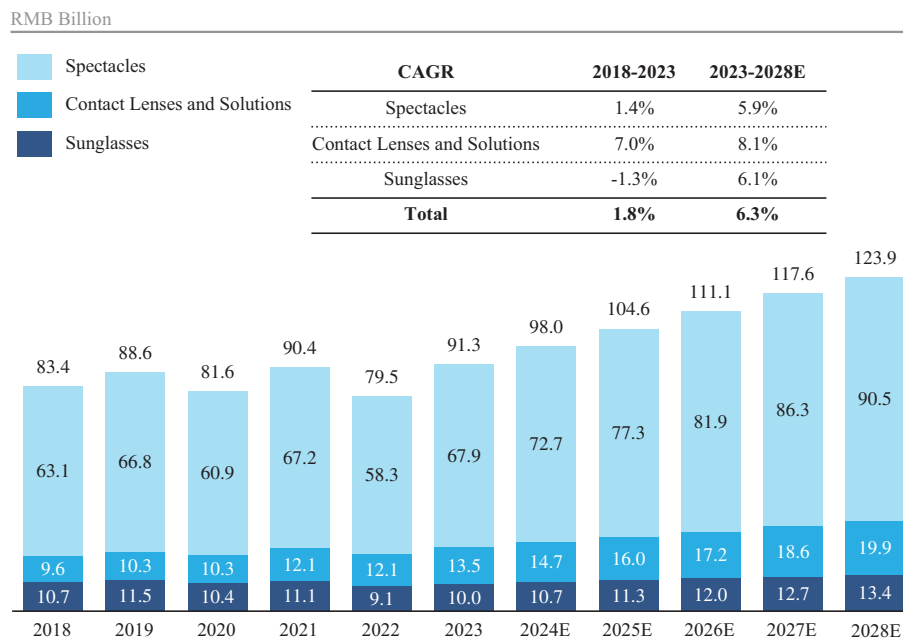
OVERVIEW OF CHINA’S EYEWEAR INDUSTRY

Overview

Eyewear refers to the corrective or protective devices for the eyes, including spectacles, sunglasses, contact lenses and solutions.

The market size in terms of retail sales of eyewear in China increased from RMB83.4 billion in 2018 to RMB91.3 billion in 2023 with a CAGR of approximately 1.8%. The outbreak of the COVID-19 pandemic has led to a slight decline in the market size of the China’s eyewear industry from 2020 to 2022. However, it has returned to a growth trend in 2023 and grow to RMB123.9 billion in 2028 with a CAGR of approximately 6.3%. The following chart illustrates the market size of China’s eyewear market from 2018 to 2028:

Breakdown of China’s Eyewear Market by Product Categories, 2018-2028E



Source: The Frost & Sullivan Report

Growth Drivers and Development Trends of China’s Eyewear Market

The key growth drivers of China’s eyewear market are set forth below:

- Increasing awareness of visual health:* The rapid development of technologies resulted in people’s long-term use of electronic devices, which usually caused vision problems for users. Accordingly, they pay more attention to visual health. In addition, increased outdoor activities created more usage scenarios for sunglasses. As a result, consumer demand for sunglasses, spectacles and other eyewear products has grown rapidly.

INDUSTRY OVERVIEW

- *Rapid development of online sales channels:* Consumers are getting more acclimated to online shopping due to, among other things, the changing shopping habits cultivated during the COVID-19 pandemic and the market development efforts by cross-border e-commerce merchants. In addition, live streaming e-commerce and group-buying have become the leading strategies for many brands to reach consumers. The strong performance of online sales channels will drive the growth of China’s eyewear market.
- *Continuously diversified design of eyewear brand:* As Chinese consumers have increasingly pursued individuality, distinctiveness and a wider selection of color and shapes, eyewear brands have begun to introduce a broader range of options, which resulted in many types of eyewear fashion accessories becoming available to accommodate varying personal styles and tastes. Accordingly, there will be more diversified designs and application scenarios in the eyewear market, which will promote the development of China’s eyewear industry.

The key development trends of China’s eyewear market are set forth below:

- *Sales models of brand collection stores develop rapidly:* One-stop shopping experience offered by brand collection stores provide an extensive selection of brands, styles, sizes, and designs of eyewear, catering to different preferences of and occasions for consumers. It allows consumers to find suitable eyewear more expediently. Brand management companies offering one-stop shopping experiences can curate products from reputable brands, ensuring that the products meet quality standards.
- *More cooperation between international eyewear brands and domestic brand management companies:* International brands are increasingly looking to enter or expand their presence in China. Their lack of familiarity with the local consumer preferences often leads them to seek collaboration with established brand management companies that have extensive local market expertise, which enables them to achieve a greater market share.
- *Accelerating industrial digital transformation:* China’s eyewear industry is expected to continue to promote digital changes in the future, which will lead to increased adoption of digital technologies and online sales channels. The adoption of these digital technologies is expected to improve the overall efficiency of China’s eyewear industry and enhance the competitiveness of market participants. It will also lead to more personalized shopping and wearing experiences for consumers, promoting further growth and development of China’s eyewear industry.

INDUSTRY OVERVIEW

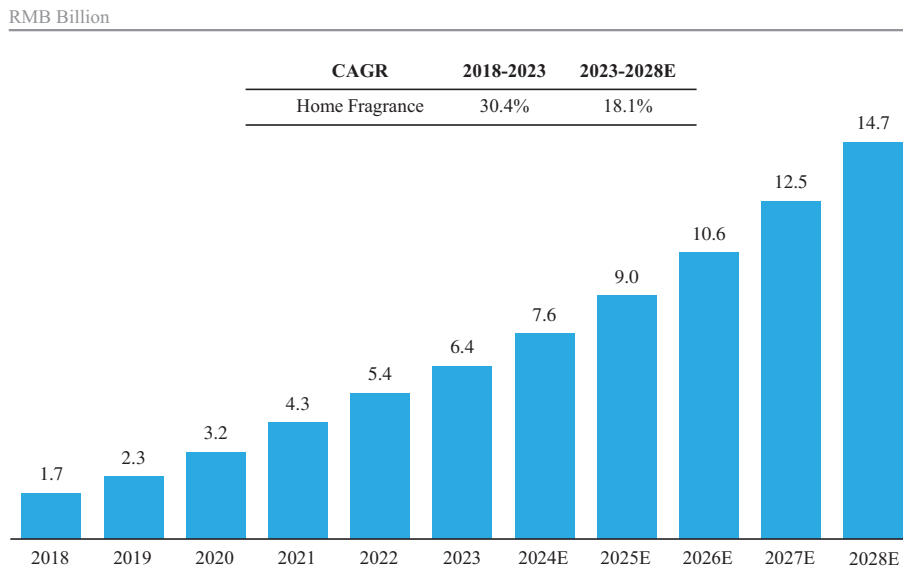
OVERVIEW OF CHINA’S HOME FRAGRANCES INDUSTRY

Home fragrances refer to various products aimed at enhancing the ambiance and air quality within households, including, among others, scented candles, diffusers, room sprays, essential oils, fragrance stones, and diffusing devices designed to release pleasant aromas to create a comforting home atmosphere.

During the COVID-19 pandemic, residents were often forced to spend more time at home, which led to an increased emphasis on the quality of the home environment and a desire for emotional value and socialization. This trend had propelled the rapid expansion of China’s home fragrance industry. As the consumption habits for home fragrances and the demand for improved quality of home life continue to evolve, the home fragrances market is expected to continue to grow.

The market size in terms of retail sales of home fragrances in China increased from RMB1.7 billion in 2018 to RMB6.4 billion in 2023 with a CAGR of approximately 30.4%, and is expected to grow to RMB14.7 billion in 2028 with a CAGR of approximately 18.1%. The following chart illustrates the market size of China’s home fragrances market from 2018 to 2028:

Market Size of China’s Home Fragrances Industry, 2018-2028E



Source: The Frost & Sullivan Report

REGULATORY OVERVIEW

This section sets out summaries of certain aspects of the PRC and Hong Kong laws and regulations which are relevant to the operation and business of our Company.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS OPERATIONS IN THE PRC

Regulations on Corporation

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》) (the “PRC Company Law”), which was promulgated by the SCNPC in December 1993 and last amended on December 2023. The latest amendment will be effective beginning in July 2024. The main amendments in the PRC Company Law involve improving the company’s establishment and exit system, optimizing the company’s organizational structure, detailing exercise of shareholder rights, perfecting the company’s capital system and strengthening the responsibilities of controlling shareholders and management personnel, etc. The PRC Company Law provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises. Where laws relating to foreign investment provide otherwise, such stipulations shall apply.

Regulations Relating to Foreign Investment

On January 1, 2020, the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “Foreign Investment Law”) promulgated by the NPC and the Regulations for Implementation of the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》) promulgated by the State Council came into effect and became the principal laws and regulations governing foreign investment in the PRC, replacing three previous major laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》), and the Wholly Foreign-invested Enterprise Law (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations.

According to the Foreign Investment Law, “foreign investment” refers to the investment activities conducted directly or indirectly by foreign individuals, enterprises or other entities in the PRC, including the following circumstances: (i) the establishment of foreign-invested enterprises in the PRC by foreign investors solely or jointly with other investors; (ii) a foreign investor’s acquisition of shares, equity interests, property portions or other similar rights and interests of enterprises in the PRC; (iii) investment in new projects in the PRC by foreign investors solely or jointly with other investors; and (iv) investments made by foreign investors through means provided in laws, administrative regulations, or other methods prescribed by the State Council.

The Foreign Investment Law and its implementation regulations provide that a system of pre-entry national treatment and negative list shall apply to the administration of foreign investment, where “pre-entry national treatment” means that the treatment given to foreign

REGULATORY OVERVIEW

investors and their investments at market entry stage is no less favorable than that given to domestic investors and their investments, and “negative list” means the special administrative measures for foreign investment’s entry to specific fields or industries. Foreign investments not in the fields of the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited fields as specified in the negative list, and foreign investors who invest in the restricted fields shall comply with certain special requirements on shareholding and senior management personnel. According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) promulgated on December 27, 2021 and came into effect on January 1, 2022, our business does not fall under such categories where foreign investment is restricted or prohibited.

On December 30, 2019, the MOFCOM and the State Administration of Market Regulation (the “SAMR”) jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the measures, where a foreign investor directly or indirectly carries out investment activities within PRC, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department through the enterprise registration system and the national enterprise credit information publicity system.

REGULATIONS RELATING TO PRODUCT LIABILITY AND CONSUMER PROTECTION

The PRC Product Quality Law (《中華人民共和國產品質量法》) (the “Product Quality Law”) promulgated by the SCNPC, which took effect on September 1, 1993, and was last amended on December 29, 2018, sets out the requirements to strengthen quality control of product and the measures that sellers shall adopt to maintain the quality of products for sale. Pursuant to the Product Quality Law, sellers shall establish and implement purchase inspection and acceptance system and verify the product qualification certificate and other marks. Sellers shall not mix impurities or imitations into products, or take counterfeit goods as genuine ones, defective products as good ones, or substandard products as standard ones. Violations of the Product Quality Law may result in confiscation of illicit products and imposition of fines. In addition, relevant sellers will be ordered to suspend its operations, with business license revoked and criminal liability incurred in serious cases. According to the Product Quality Law, consumers or victims who suffer injuries or property losses due to product defects may demand compensation from either the producer or the seller. Where the liability lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

The Law of PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) (the “Consumer Protection Law”) promulgated by the SCNPC, which became effective on January 1, 1994 and was last amended on October 25, 2013, sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to the Consumer Protection Law, business operators shall ensure that their goods or services provided satisfy the requirements for personal or property safety, and provide consumers with authentic and complete information about the quality, function, usage and shelf

REGULATORY OVERVIEW

life of the products or services. Where a business operator has discovered a defect in its goods or services provided which may harm personal or property safety, it shall immediately report to the relevant administrative authorities and notify consumers, and adopt measures such as suspension of selling, alert, recall, decontamination, and destruction. Violations of the Consumer Protection Law may result in warning, the confiscation of illegal income, and the imposition of fines. In addition, relevant business operator will be ordered to suspend its operations, with business license revoked and criminal liability incurred in serious cases. According to the Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the liability lies with the producer or another seller that provides the goods to the seller, the seller shall, after settling the claim, have the right to recover such claim from that manufacturer or such other sellers. Consumers or parties who suffer injuries or property losses due to product defects may demand compensation from the producer as well as the seller. Where the liability lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

REGULATIONS RELATING TO THE CIRCULATION OF COMMODITIES

Cosmetics Sales

The Cosmetics Supervision and Administration Regulation (《化妝品監督管理條例》) promulgated by the State Council, which became effective on January 1, 2021, requires that the cosmetics operators shall establish and implement the inspection and recording system for the purchased goods to verify the market entity registration certificates, cosmetics registration or record-filing situations and the ex-factory inspection conformity certificates of the suppliers, and shall truthfully record, and keep the relevant vouchers. Special cosmetics and ordinary cosmetics may be imported only after they are registered or filed with the medical products regulatory department. The Administrative Measures for the Registration and Record-filing of Cosmetics (《化妝品註冊備案管理辦法》) promulgated by the SAMR, which became effective on May 1, 2021, requires that prior to marketing or importation of any general cosmetics, after the relevant record-filing person submits record-filing data via the information service platform as required by the National Medical Products Administration (the “NMPA”), the record-filing shall be deemed as completed instantly.

According to the Measures for the Administration of Cosmetic Labels (《化妝品標籤管理辦法》) which was issued on May 31, 2021 and became effective on May 1, 2022, the smallest sales unit of cosmetics shall be labeled. The labels shall comply with the requirements of the relevant laws, administrative regulations, departmental rules, compulsory national standards, and technical specifications. The contents of the labels shall be lawful, authentic, complete, and accurate and consistent with the relevant contents registered or filed for record.

Pursuant to the Provisions for Supervision and Administration of Manufacturing and Marketing of Cosmetics (《化妝品生產經營監督管理辦法》) promulgated by the SAMR, which became effective on January 1, 2022, and the release of the Measures for the Supervision and Administration of the Online Operation of Cosmetic (《化妝品網絡經營監督管理辦法》) (the “Measures for the Online Operation of Cosmetic”) promulgated by the NMPA, which

REGULATORY OVERVIEW

became effective on September 1, 2023, the cosmetic operators (including Platform-based cosmetics operators) shall establish and execute a record-checking system for goods. The Measures for the Online Operation of Cosmetic requires the operators are also expected to fulfill their obligation to disclose the information of cosmetics, and they should also cooperate with the e-commerce platform operator of cosmetics for the administration of quality and product safety. Once the operators spot any cosmetic with quality defects or could cause damage to the human body, they should stop the sale immediately and inform the relevant entity who made the registration or the filling. In addition, the operators should store their cosmetics in accordance with the relevant laws and regulations and the requirements indicated on the labels of the cosmetics, and regularly check upon the cosmetics, and dispose of the ones that are deteriorated or have passed the expiry date.

According to the Import and Export Cosmetics Inspection and Quarantine Supervision and Administration Measures (《進出口化妝品檢驗檢疫監督管理辦法》) which took effect on February 1, 2012 and was last amended on November 23, 2018, imported cosmetics are required to be inspected and quarantined by customs agencies. Consignee of imported cosmetics shall record imported cosmetics sales, record-keeping period shall not be less than 2 years. Imported cosmetics shall be stored in the inspection and quarantine institutions designated or approved place before obtain of the inspection and quarantine certificate, in such case, any transport, sales, use by entity or individual is prohibited without the permission of the inspection and quarantine institutions,

Medical Devices Sales

Pursuant to the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) promulgated by the State Council, as effective on April 1, 2000 and last amended on February 9, 2021, which became effective on June 1, 2021, and the Measures on Supervision and Administration of Business Operations of Medical Devices (《醫療器械經營監督管理辦法》) promulgated by the SAMR on March 10, 2022 and became effective on May 1, 2022, medical devices are administered by categorization according to their risk levels, no license or filing is required for the sale of Class I medical devices, filing is required for the sale of Class II medical devices, and a license is required for the sale of Class III medical devices. Recording system for the medical devices are required for the purchased medical devices operators, and a recording system for sale is required for wholesalers of Class II and Class III medical devices and retailers of Class III medical devices additionally.

Administration of Hazardous Chemicals

According to the Regulation on the Safety Management of Hazardous Chemicals (《危險化學品管理安全管理條例》), promulgated by the State Council on January 26, 2002 and last amended on December 7, 2013, hazardous chemicals include hyper-toxic chemicals and other chemicals with the nature of toxic hazard, corrosiveness, explosiveness, flammability and combustion-supporting, which are dangerous to human body, facilities and environment. Hazardous chemicals shall be stored within the specialized warehouses, places, or storage rooms, and managed by specially assigned personnel. In case of any violation, the production

REGULATORY OVERVIEW

safety supervision and administration departments shall order the parties concerned to make rectification, and impose a fine of over RMB50,000 and less than RMB100,000. If the parties refuse to make the rectification, they shall be ordered to suspend production and operation for rectification till the original license issuing units revoke their relevant licenses and permits and the SAIC order them to modify the registration of business scope or revoke their business licenses. The PRC carries out the licensing system for the operation of hazardous chemicals (including storage management). Without being licensed, any units and individuals shall not deal in hazardous chemicals. Pursuant to the response from the Ministry of Emergency Management, the competent authority for hazardous chemicals, on its official website, it plans to adjust the scope of hazardous chemicals business licenses to no longer cover daily chemicals and medical supplies.

According to the Notice on Strengthening the Safety Management of Sales of Hazardous Chemicals through the Internet (《關於加強互聯網銷售危險化學品安全管理的通知》) issued by the Ministry of Emergency Management, the Central Cyberspace Administration, the Ministry of Education, the Ministry of Industry and Information Technology, the Ministry of Public Security, the State Administration for Market Regulation, and the State Post Bureau on December 3, 2022, enterprises that sell hazardous chemicals through the Internet shall legally obtain the work safety permits of hazardous chemical production enterprises or permits for trading in hazardous chemicals, exemption is provided for daily chemicals and medical supplies.

Anti-Unfair Competition

The Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “Anti-Unfair Competition Law”) promulgated by the SCNPC, which became effective on December 1, 1993, and last amended on April 23, 2019, imposes prohibitions on improper market activities conducted by business operators to undermine their competitors, including forging or counterfeiting trademark, names, and marks of others, infringing business secrets of others, making false or misleading publicity of goods through advertising or other means, bribing, infringing upon the goodwill of competitors or the reputation of their products. Violations of the Anti-Unfair Competition Law may result in fines, the confiscation of illegal proceeds, and, in serious cases, revocation of business license.

Pricing

The Pricing Law of the PRC (《中華人民共和國價格法》) (the “Pricing Law”) promulgated by the SCNPC and became effective on May 1, 1998, imposes prohibitions on improper pricing activities committed by business operators, including manipulating market prices, dumping goods at price lower than the costs, forcing up prices, using false or misleading prices to deceive consumers or other business operators, and price discrimination. Failure to comply with the Pricing Law may subject business operators to administrative sanctions such as warning, ceasing unlawful activities, compensation, confiscating illegal gains, and fines. The business operators may be ordered to suspend business for rectification, or have their business license revoked if the circumstances are serious.

REGULATORY OVERVIEW

Advertising

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated by the SCNPC which became effective on February 1, 1995, and last amended on April 29, 2021, advertisements shall not contain false or misleading contents, and shall not deceive or mislead consumers. The Cosmetics Supervision and Administration Regulation also sets limitations on the content included in cosmetic advertising, where the cosmetic advertisement may not expressly or impliedly indicate that the product has any medical effect, contain any false or misleading information, or deceive or mislead consumers.

On November 5, 2020, the SAMR promulgated the Guiding Opinions of the State Administration for Market Regulation on Strengthening the Regulation of Online Live-streaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》). According to the Guiding Opinions, commodity operators selling commodities or providing services through online live-streaming shall abide by the relevant laws and regulations, and establish and implement system for inspection and acceptance of Purchased Goods. It is not allowed to use online live-streaming to sell goods or services whose production or sale is prohibited by laws and regulations; it is not allowed to use online live-streaming to release commercial advertisements whose publication in mass media is prohibited by laws and regulations; and it is not allowed to use online live-streaming to sell goods or services whose trading is prohibited on the Internet. On March 25, 2022, the Cyberspace Administration of China (the “CAC”), the State Administration of Taxation (the “SAT”) and the SAMR jointly issued the Opinions on Further Regulating the Profit-making Behavior of Online Live Streaming to Promote the Healthy Development of the Industry (《關於進一步規範網絡直播營利行為促進行業健康發展的意見》). The aforementioned Opinions put forward some detailed requirements for market entities related to online live-streaming services to further regulate the relevant behaviors and maintain the market order, which shows a strengthening regulatory trend on online live streaming and e-commerce platforms.

E-Commerce

According to the E-commerce Law of the PRC (《中華人民共和國電子商務法》) promulgated by the SCNPC, which came into force on January 1, 2019, e-commerce operators are referred to as natural persons, legal persons, and other non-legal-person organizations that engaged in the business activities of sale of goods or provision of services through Internet and other information networks, including e-commerce platform operators, business operators using the e-commerce platform, and e-commerce business operators engaging in the sale of goods or provision of services through their self-built website or other network services. E-commerce business operators shall display, prominently and continuously on their homepage, their business license information, administrative licensing information relating to their business operation, or hyperlinks of the aforesaid information. E-commerce business operators shall disclose information of goods or services fully, accurately and promptly, and protect consumers’ right to know and right to choose. E-commerce business operators shall not use false transactions, fabricated user review, etc. to conduct false or misleading business promotion, so as to defraud or mislead consumers.

REGULATORY OVERVIEW

REGULATIONS RELATING TO FIRE PROTECTION

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the “Fire Prevention Law”), promulgated by the SCNPC, which became effective on September 1, 1998 and was last amended on April 29, 2021, Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), promulgated by the Ministry of Housing and Urban-rural Development, which became effective on June 1, 2020 and was last amended on August 21, 2023, a special construction project as provided in the Interim Provisions Regarding Fire Protection shall be subject to fire protection design review before such project was commenced construction and shall be subject to fire protection inspection before such project was put into use. Other construction projects other than a special construction project shall be subject to fire protection inspection recordation, and the competent department of housing and urban-rural development shall conduct a random fire protection inspection thereof. If the project fails to pass the random fire protection inspection, such project shall be ceased to use. The constructor or user entity shall apply to the fire and rescue department of the local people’s government at or above county level for a fire safety inspection before a public gathering place is put into use or opens for business. Any construction illegally putting into use or operating a public gathering place without undergoing the fire safety inspection or without satisfying the fire safety requirements upon inspection shall be ordered to stop construction, stop use, stop production, or business operation, and be fined.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

On September 7, 1990, the SCNPC promulgated the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》) (the “Copyright Law”), which became effective on June 1, 1991 and was last amended on November 11, 2020. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Centre of China. According to the Copyright Law, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works, which refer to, intellectual achievements in the fields of literature, art and science, which are original and can be expressed in a certain form. Copyright owners enjoy certain legal rights, including right of publication, right of authorship and right of reproduction. An infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of copyright owner. Infringers of copyright may also subject to fines and/or administrative or criminal liabilities in severe situations.

In order to further implement the Regulations on Computer Software Protection (《計算機軟件保護條例》), promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, the National Copyright Administration issued the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) on February 20, 2002, which specifies detailed procedures and requirements with respect to the registration of software copyrights.

REGULATORY OVERVIEW

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated on August 23, 1982 and last amended on April 23, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》), which was adopted by the State Council on August 3, 2002 and last amended on April 29, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks, and certification marks. The PRC Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC, and grants a term of 10 years to registered trademarks. Trademarks are renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. The PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Patent

Patents are protected by the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated on March 12, 1984 and last amended on October 17, 2020. The Patent Office under the National Intellectual Property Administration is responsible for receiving, examining, and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model, and a fifteen-year term for design. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain Names

On August 24, 2017, the MIIT promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (the “Domain Name Measures”), which became effective on November 1, 2017. The Domain Name Measures regulate the registration of domain names, such as China’s national top-level domain name “.CN”. The applicant for domain name registration shall provide the agency of domain name registration with true, accurate and complete information about the domain name holder’s identity for registration purpose. Upon the completion of the registration process, the applicant will become the holder

REGULATORY OVERVIEW

of the relevant domain name. The China Internet Network Information Center (the “CNNIC”) issued the Administrative Regulations for Country Code Top-Level Domain Name Registration (《國家頂級域名註冊實施細則》) and Country Code Top-Level Dispute Resolutions Rules (《國家頂級域名爭議解決辦法》) on June 18, 2019, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide domain name related disputes.

REGULATIONS RELATING TO FOREIGN EXCHANGE

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008 and various regulations issued by the State Administration of Foreign Exchange (the “SAFE”) and other relevant PRC government authorities, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan, or investment in securities outside the PRC, unless the prior approval by the SAFE or its local counterparts is obtained.

On July 4, 2014, the SAFE promulgated the Notice of State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Administration for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular No. 37”), which regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under SAFE Circular No. 37, a “special purpose vehicle” refers to an offshore entity directly established or indirectly controlled by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, and “round trip investment” refers to direct investment in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights, and management rights. SAFE Circular No. 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with the SAFE or its local branch. On February 13, 2015, the SAFE promulgated the Notice of the SAFE on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which became effective on June 1, 2015 and was last amended on December 30, 2019. It further amended the SAFE Circular No. 37 by requiring PRC residents or entities to register with qualified banks rather than the SAFE or its local branches in connection with their establishment of an offshore entity established for the purpose of overseas investment or financing.

REGULATORY OVERVIEW

REGULATIONS RELATING TO TAX

Enterprise Income Tax

The Law of the People’s Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and The Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (collectively, the “EIT Laws”) were promulgated on March 16, 2007, and December 6, 2007, respectively, and were last amended on December 29, 2018 and April 23, 2019, respectively. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Laws and relevant implementing regulations, a uniform EIT rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside China.

Value Added Tax

The Interim Value-Added Tax Regulations of the People’s Republic of China (《中華人民共和國增值稅暫行條例》) (the “VAT Regulations”) was promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017. Under the VAT Regulations, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

Transfer Pricing

Pursuant to the EIT Law and its implement rules and the Law of the People’s Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》), which was promulgated on September 4, 1992 by the SCNPC and last amended on April 24, 2015, related party transactions should comply with the arm’s length principle. In the event that the related party transactions fail to comply with the arm’s length principle resulting in the reduction of the enterprise’s taxable income, the tax authority has power to make adjustments with reasonable methods within ten years from the tax paying year that the non-compliant related party transaction had occurred.

REGULATORY OVERVIEW

Based on the Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) promulgated and became effective on June 29, 2016, enterprises, which have related-party transactions with volume exceeding certain threshold shall prepare their contemporaneous documentation of related-party transactions per tax year and submit to the tax authority if required.

REGULATION RELATING TO IMPORTATION AND EXPORTATION OF GOODS

Importation and Exportation of Goods

Under the Customs Law of the PRC (《中華人民共和國海關法》) which was adopted by the Standing Committee of the NPC on January 22, 1987 and last amended on April 29, 2021, the consignee of imported goods, the consignor of exported goods shall make truthfully declaration to Customs in a timely manner. The consignee of import goods shall go through the customs formalities with the customs at the place where the goods enter the territory of the PRC, while the consignor of export goods shall go through the customs formalities with the customs at the place where the goods depart from the territory of the PRC. If approved by relevant customs, the consignee of import goods may go through the customs formalities for import goods at a designated place where customs is established, and the consignor of export goods may go through the same at the departure place of the goods where a customs is established.

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of the NPC on May 12, 1994, and latest amended on December 30, 2022, the requirements for foreign trade operators engaging in goods or technology import and export to go through the record-filing registration have been abolished.

Pursuant to the Regulations on the PRC on the Administration of the Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) issued by the State Council of the PRC and became effective on January 1, 2002, and last amended on March 10, 2024, the State Council of the PRC shall allow free importation and exportation of goods, and maintain fair and orderly import and export trade in goods except for the goods which is explicitly prohibited or restricted by laws or administrative regulations.

The Provisions on the Registration of Customs Declaration Entities of the People’s Republic of China (《中華人民共和國海關報關單位備案管理規定》) (the “Provisions on the Registration of Customs”) was promulgated by the General Administration of Customs of the People’s Republic of China (the “GAC”) on November 19, 2021 and took effect on January 1, 2022, and repealed the Administrative Provisions of the Customs of the PRC over Registration of Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) which was promulgated on March 13, 2014 and last amended on May 29, 2018. According to the Provisions on the Registration of Customs, the consignee or consignor of imported or exported goods or a customs declaration enterprise needs only to apply for record-filing to the customs, with no registration with the GAC necessary any longer. The record-filing information shall be made public via the Import and Export Credit Information Publicity Platform of the Customs of China.

REGULATORY OVERVIEW

Customs

Pursuant to the Import and Export Tariff Regulations of the PRC (《中華人民共和國進出口關稅條例》), which was promulgated by the State Council on 7 March 1985 and last amended on March 1, 2017, all goods permitted to be imported into or exported out of and all articles allowed to enter into the PRC shall, unless otherwise provided for by the State Council, be subject to payment of customs duties. As for import and export goods, the valid tariff rate of the date when the customs receives the import declaration or export declaration shall apply.

On April 26, 2024, the SCNPC passed the Tariff Law of the People’s Republic of China, which will take effect on December 1, 2024, the basis for state administration of tariffs will then rise from the level of regulations to the level of law.

Import Value Add Tax

Under the VAT Regulations, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC. For imported goods, the VAT liability occurs when the import declaration is lodged, and the VAT on imported goods shall be levied by customs. The MOF, the SAT, and the GAC issued the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (the “Circular 39”) on March 20, 2019 and took effect on April 1, 2019. Pursuant to Circular 39, the VAT rate for imported goods was adjusted from 16% to 13%, and the rate for those previously taxed at 10% was adjusted to 9%.

Cosmetics Consumption Tax

Pursuant to the Interim Regulations on Consumption Tax of the PRC (《中華人民共和國消費稅暫行條例》) took effect on January 1, 2009, institution and individual that produces, subcontract the processing of, or import the consumer goods and other institutions or individuals that are recognized by the State Council and sell the consumer goods shall pay consumption tax. Taxpayers producing taxable consumer goods shall pay consumption tax when selling the goods. For taxable consumer goods entrusted for processing, the tax shall be withheld by the commissioned party upon delivery to the contractor unless the commissioned party is a natural person. Imported taxable consumer goods shall be subject to tax upon import declaration.

Pursuant to the Notice of on Adjusting Import Consumption Tax on Cosmetics (《關於調整化妝品進口環節消費稅的通知》) took effect on October 1, 2016, the levying scope is adjusted to include the high-end beauty and polishing cosmetics and high-end skin care cosmetics. The rate of import consumption tax on high-end beauty and polishing cosmetics and high-end skin care cosmetics was reduced from 30% to 15%, while the import consumption tax of ordinary cosmetics was cancelled. The high-end beauty and polishing cosmetics and high-end skin care cosmetics refer to the cosmetic products for beauty treatment and decoration and the cosmetic products for skin care of which the import dutiable value is at or above RMB10 per milliliter (gram) or RMB15 per piece (sheet).

REGULATORY OVERVIEW

Import of Personal Postal Articles

Pursuant to the Import and Export Tariff Regulations, inbound personal postal articles for personal use (as opposed to the commercial nature of general trade) that do not exceed the amount specified by the GAC will be exempt from import tax, and those exceed the specified amount but still within a reasonable amount and are for personal use (as opposed to the commercial nature of general trade) will be subject to the import tax, which combines the customs duty, import VAT and consumption tax into one form of tax.

The Customs Tariff Committee of the State Council issued the Notice concerning the Adjustment of Import Tax of Inbound Articles (《關於調整進境物品進口稅有關問題的通知》) (the “Circular 2”), the Notice concerning the Adjustment of Import Tax of Inbound Articles (《關於調整進境物品進口稅有關問題的通知》) (the “Circular 49”) and the Notice concerning the Adjustment of Import Tax of Inbound Articles (《關於調整進境物品進口稅有關問題的通知》) (the “Circular 17”) on March 16, 2016, September 30, 2018 and April 8, 2019 respectively, which took effect on April 8, 2016, November 1, 2018 and April 9, 2019 respectively. Under the foresaid notices, three items of tax are adjusted to 13% (applying to food and beverage, books and computer, drugs, etc.), 20% (applying to sports equipment and textiles, etc.) and 50% (applying to cigarettes, alcohol and cosmetics, etc.).

Taxation of cross-border e-commerce

According to the provisions of the Circular on Taxation Policies for Cross-border E-commerce Retail Imports (《關於跨境電子商務零售進口稅收政策的通知》) took effect on April 8, 2016, and the Circular on the Improvement of Taxation Policies for Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口稅收政策的規定的規定》) took effect on January 1, 2019, the importation of cross-border e-commerce retail imports of goods is subject to tariffs, VAT and consumption tax according to the goods. The individual purchasing the cross-border e-commerce retail imports is the taxpayer, and the actual transaction price (including the retail price of the goods, freight and insurance) as the tax-paid price, and the e-commerce enterprise, e-commerce trading platform enterprise, or logistic enterprise as the collector and payer on behalf of the individual. The single transaction limit for cross-border e-commerce retail imports is RMB5,000, and the annual transaction limit for individuals is RMB26,000. For cross-border e-commerce retail imports of commodities imported within the limit value, the tariff rate is temporarily set at 0%; the VAT and consumption tax on imports are abolished as exemptions, and are temporarily levied at 70% of the legally payable tax amount.

REGULATIONS RELATING TO LEASING

Pursuant to the Law on Administration of Urban Real Estate of the People’s Republic of China (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994 and last amended on August 26, 2019 and became effective on January 1, 2020, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other

REGULATORY OVERVIEW

rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department. Where an owner of a house leases the house built on the State-owned land for profit, the land-use right for which has been obtained by means of allocation, he shall turn over to the State the proceeds derived from the land and contained in the rent.

Also, pursuant to the Interim Regulations of the People's Republic of China on the Assignment and Transfer of the Right to the Use of State-owned Land in Urban Areas (revise in 2020) (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例(2020修訂)》), which was promulgated by the State Council on May 19, 1990 and last amended on November 29, 2020, where the relevant conditions are met, the allocated land use right and the ownership of the above-ground buildings and other attached installations may be transferred, leased or mortgaged upon the approval of the land administration department and the real estate administration department of the municipal or county people's governments. In addition, municipal or county people's governments may, based on the needs of urban construction and development and the requirements of urban planning, withdraw the allocated land-use right without compensation and may assign it in accordance with the provisions of these Regulations.

According to the PRC Civil Code (《中華人民共和國民法典》), the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures for Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, landlords and tenants are required to enter into lease contracts which should generally contain specified provisions, and lease contracts should be registered with the relevant construction or property authorities at municipal or county level within 30 days after its conclusion. If the landlords and tenants fail to go through the registration procedures, both landlords and tenants may be subject to fines. If the lease contract is extended or terminated or if there is any change to the registered items, the landlord and the tenant are required to effect alteration registration, extension of registration or deregistration with the relevant construction or property authorities within 30 days after the occurrence of such extension, termination, or alteration. Also, according to such measures, a house shall not be leased under any of the following circumstances: (i) being an illegal building; (ii) failing to meet the compulsory standards for engineering construction in terms of safety, disaster prevention, etc.; (iii) changing the use nature of the house in violation of relevant provisions; or (iv) other circumstances under which the house is prohibited to be leased as prescribed bylaws and regulations. Where the provisions of these Measures are violated, the competent construction (real estate) departments of the people's governments of the municipalities directly under the Central Government, cities and counties shall order the violators to make corrections within a specified time limit. Where there is no illegal income, a fine of not more than RMB5,000 may be imposed; where there is illegal income, a fine of not less than one time but not more than three times the illegal income, but not more than RMB30,000, may be imposed.

REGULATORY OVERVIEW

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) promulgated on July 5, 1994 and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in China. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was implemented on January 1, 2008 and last amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) that was implemented on January 1, 2004 and last amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporations of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999, and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) implemented on July 1, 2011 and last amended on December 29, 2018, enterprises are obliged to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance, and medical insurance. These payments are made to local administrative authorities. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer make payments or supplementary payments for the unpaid social insurance within a prescribed time limit together with a 0.05% surcharge of the unpaid social insurance from the due date. If the payment is not made within such time limit, the relevant administrative authorities may impose a fine ranging from one to three times the total outstanding amount. In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council on

REGULATORY OVERVIEW

April 3, 1999 and last amended on March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees’ housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

LAWS AND REGULATIONS RELATED TO CYBERSECURITY AND DATA PROTECTION

According to the Civil Code, individual’s personal information shall be protected by law, and the processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “Cybersecurity Law”), which became effective on June 1, 2017, requires network operators to perform certain functions related to cybersecurity protection and strengthen the network information management. For instance, under the Cybersecurity Law, when collecting and using personal information network operators shall abide by the “lawful, justifiable and necessary” principles. The network operator shall collect and use personal information by announcing rules for collection and use, expressly notify the purpose, methods and scope of such collection and use, and obtain the consent of the person whose personal information is to be collected. The network operator shall neither collect the personal information unrelated to the services they provide, nor collect or use personal information in violation of the provisions of laws and administrative regulations or the agreements with such persons and shall process the personal information they store in accordance with the provisions of laws and administrative regulations and agreements reached with such persons. Network operator shall not disclose, tamper with, or destroy personal information that it has collected, or disclose such information to others without prior consent of the person whose personal information has been collected, unless such information has been processed to prevent specific person from being identified and such information from being restored. Each individual is entitled to require a network operator to delete his or her personal information if he or she finds that collection and use of such information by such operator violate the laws, administrative regulations, or the agreement by and between such operator and such individual; and is entitled to require any network operator to make corrections if he or she finds errors in such information collected and stored by such operator. Such operator shall take measures to delete the information or correct the error. Any individual or organization may neither acquire personal information by stealing or through other illegal ways, nor illegally sell or provide personal information to others.

On June 10, 2021, the SCNPC issued the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “Data Security Law”), which became effective on September 1, 2021. The Data Security Law protects the rights and interests of individuals and organizations relating to data, encourages the lawful, reasonable and effective use of data, guarantees the orderly and free flow of data in accordance with the law, and promotes the development of the digital economy with data as a key element. Furthermore, the Data Security Law also provides

REGULATORY OVERVIEW

that China shall establish a data classification and grading protection system and data security review system, under which data processing activities that affect or may affect national security shall be reviewed for protection of national security. A decision on security review made in accordance with the law shall be final. Processors of data shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations. To carry out data processing activities by making use of the Internet or any other information network, the aforesaid obligations for data security protection shall be performed on the basis of the graded protection system for cybersecurity. Risk monitoring measures shall be strengthened during processing data and remedies shall be immediately adopted where processors discover risks such as data security defects and vulnerabilities. When data security incidents occur, processors shall immediately take solutions, notify the users as required and report the matter to the relevant competent authorities. Any organization or individual collecting data shall adopt lawful and proper methods and shall not steal data or obtain the data through other illegal means. Relevant authorities will establish the measures for the cross-border transfer of import data. If any company violates the Data Security Law, such company may be punished by administration sanctions, including but not limited to penalties, fines, and/or may suspension of relevant business or revocation of the business license. As a processor of data, the Company shall implement the relevant data security management system and protection obligations in the entire process of the business operations and new product development and comply with higher requirements on data security protection from multiple perspectives under the Data Security Law of the PRC and require business partners to abide by the requirements accordingly.

On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council also jointly issued the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which stressed on improving laws and regulations on data security, cross-border data flow and management of confidential information, speeding up the revisions to regulations on strengthening the confidentiality and document management of securities issuance and listing outside the mainland of the PRC (境外上市) to increase the accountability of entities listed outside the mainland of the PRC to information security, and enhancing standardized management of mechanism and procedure for cross-border data transfer, enhancing the cooperation of cross-border audit supervision.

On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “Personal Information Protection Law”), which took effect on November 1, 2021. The Personal Information Protection Law further accentuates the importance of processors’ obligations and responsibilities for personal information protection and stipulates, among other things, the scope of application, the definitions of personal information and sensitive personal information, the requirement on content of personal information processing activity notification, the legal basis on which we may rely for processing personal information, criteria and procedures for cross-border transfer of personal information and certain internal compliance procedures, such as the personal information protection impact assessment.

REGULATORY OVERVIEW

On November 14, 2021, the CAC, jointly with the relevant authorities, published the Draft Internet Data Security Regulations (《網絡數據安全管理條例(徵求意見稿)》). Pursuant to the Draft Internet Data Security Regulations, data processors who carry out the following activities shall apply for a cybersecurity review in accordance with relevant regulations: (i) the merger, reorganization or division of internet platform operators who have gathered a large number of data resources related to national security, economic development and public interest, which affects or may affect national security; (ii) the proposed listing in a foreign country of data processor who processes personal information of over one million people; and (iii) the proposed listing in Hong Kong of data processor which affects or may affect national security; and other data processing activities that affect or may affect national security.

LAWS AND REGULATIONS RELATED TO OVERSEAS LISTING

In 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking down on Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). The Opinions on Securities Activities emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

Furthermore, on February 17, 2023, the CSRC released Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and five relevant guidelines, which became effective on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets for initial public offering, regarding the subsequent securities offering in the same overseas market where it has previously offered and listed securities, and subsequent securities offering and listing in other overseas markets, either in direct or indirect means, shall complete the filing procedures and report relevant information to the CSRC according to the Overseas Listing Trial Measures. The Overseas Listing Trial Measures provide that if the issuer meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering subject to the filing procedure: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited combined financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the issuer’s key business activities are conducted in mainland China, or its primary place(s) of business are located in mainland China, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in Mainland China. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

REGULATORY OVERVIEW

On February 24, 2023, the CSRC, Ministry of Finance, State Secrecy Administration, and State Archives Bureau released the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “Confidentiality Provisions”), which became effective on March 31, 2023. Pursuant to the Confidentiality Provisions, domestic joint-stock enterprises listed in overseas markets via direct offering and domestic operational entities of enterprises listed in overseas markets via indirect offering must obtain approval and complete filing or other requirements before they publicly disclose any documents and materials that contain state secrets or government work secrets or that, if divulged, will jeopardize China’s national security or public interest, or before they provide such documents or materials to entities or individuals such as securities companies, securities service providers and overseas regulators.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS OPERATIONS IN HONG KONG

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) (“DGO”) and Dangerous Goods (Application and Exemption) Regulations (Chapter 295A of the Laws of Hong Kong) (“DGR”)

The DGO sets forth the regulation relating to “dangerous goods” and shall apply to, inter alia, all explosives, compressed gasses, petroleum and other substances giving off inflammable vapors, substances giving off poisonous gas or vapor, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature and radioactive material.

The DGO prescribes that no person shall manufacture, store, convey or use any dangerous goods except under and in accordance with the license granted by the Hong Kong Fire Services Department. Notwithstanding any other liability which may arise under the provisions of such ordinance or otherwise, the breach of any term or condition endorsed upon any license issued shall constitute an offense which shall be punishable on summary conviction by a fine not exceeding \$10,000 and imprisonment not exceeding one month. If a company is found guilty of an offense under the said ordinance, the directors and officers concerned in the management of the company shall be guilty of the like offense unless he proves that the act constituting the offense took place without his knowledge or consent.

The DGR sets forth the classification of dangerous goods to which the DGO applies. In particular, “perfumery products” were classified as Class 3 dangerous goods belonging to the packing group PG II under the DGR.

REGULATORY OVERVIEW

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance aims to codify the laws relating to the sale of goods which shall be applicable to our Group’s business activities. It provides that:

- (a) there is an implied condition that the goods shall correspond with the description where there is a contract for the sale of goods by description;
- (b) there is an implied condition that the goods supplied under the contract are of merchantable quality where a seller sells goods in the course of a business, except that there is no such condition (i) as regards defects specifically drawn to the buyer’s attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and
- (c) where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Any right, duty or liability which arises under a contract of sale of goods by implication of law may be negated or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract, subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong).

Trade Descriptions Ordinance (Chapter 362 of Laws of Hong Kong)

The Trade Descriptions Ordinance prohibits false trade description, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or suppliers of such goods. Under the said ordinance, “trade description” in relation to goods is defined as an indication, direct or indirect, and by whatever means given, with respect to the goods or any part of the goods including an indication of the specified matters, including, inter alia, quantity, size or gage, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognized by any person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned. The labeling and advertisements in respect of our products are subject to the relevant provisions therein.

REGULATORY OVERVIEW

The Trade Descriptions Ordinance formulates that it is an offense to (i) in the course of any trade or business apply a false trade description to any goods, or supply or offer to supply any goods to which a false trade description is applied; (ii) have in one’s possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied; (iii) apply a false trade description to a service supplied or offered to be supplied to a consumer; (iv) supply or offer to supply to a consumer a service to which a false trade description is applied; or (v) have the importation or exportation of any goods to which a false trade description or forged trade mark is applied. The Trade Descriptions Ordinance further prescribes that a trader who engages in relation to a consumer in a commercial practice that is (i) a misleading omission; (ii) aggressive; or (iii) constitutes (a) bait advertising, (b) a bait and switch, or (c) wrongly accepting payment for a product, commits an offense.

Any person who commits an offense under the Trade Descriptions Ordinance shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for five years, and on summary conviction, to a maximum fine of HK\$100,000 and to imprisonment for two years.

Consumer Goods Safety Ordinance (Chapter 456 of Laws of Hong Kong)

The Consumer Goods Safety Ordinance imposes a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes.

The following goods are not covered by the Consumer Goods Safety Ordinance: (a) food and water; (b) pleasure craft and similar vessels; (c) aircraft (other than hang-gliders); (d) motor vehicles; (e) gas, liquefied petroleum gas containers, gas appliances, gas fittings and flexible gas tubing, as defined under the Gas Safety Ordinance (Chapter 51 of laws of Hong Kong); (f) electrical products; (g) pesticides; (h) tobacco and tobacco products; (i) pharmaceutical products, poisons and antibiotics; (j) traditional Chinese medicines; (k) toys and children’s products within the meaning of the Toys and Children’s Products Safety Ordinance (Chapter 424 of laws of Hong Kong); and (l) any other goods the safety of which is controlled by specific legislation.

The Consumer Goods Safety Ordinance prohibits a person from supplying, manufacturing, or importing into Hong Kong consumer goods unless the consumer goods comply with the general safety requirement or an approved standard for consumer goods. Currently there is no approved standard which has been approved in any regulation to the Consumer Goods Safety Ordinance.

REGULATORY OVERVIEW

The general safety requirement is that the consumer goods are reasonably safe having regard to all of the circumstances, including (a) the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed; (b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods; (c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description; and (d) the existence of any reasonable means (taking into account the cost, likelihood and extent of any improvement) to make the consumer goods safer.

Contravention with the above requirement is a criminal offence and the offender is liable on first conviction to a fine at HK\$100,000 and to imprisonment for one year, and on subsequent conviction to a fine of HK\$500,000 and to imprisonment for two years.

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong)

Pursuant to regulations 4 and 5 of the Import and Export (Registration) Regulations, every person, including company, who imports or exports or re-exports any article other than an exempted article set out in regulation 3 of the Import and Export (Registration) Regulations shall lodge with the Commissioner of Customs and Excise and any Deputy or Assistant Commissioner of Customs and Excise of Hong Kong (the “**Commissioner**”) an accurate and complete import or export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation or exportation of the article to which it relates.

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)

The Personal Data (Privacy) Ordinance provides the principles (the “**Data Protection Principles**”) that a data user must follow in any acts concerning personal data. Personal data refers to any data (a) relating directly or indirectly to a living individual; (b) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (c) in a form in which access to or processing of the data is practicable.

The Data Protection Principles are summarized as follows:

- (1) Adequate personal data should be collected (i) for a lawful purpose, which is necessary for and directly related to a function or activity of the data user, (ii) by fair and lawful means. And the person whose data is being collect is informed (a) that whether he is obligatory or voluntary for him to supply the data, (b) the purpose of the collection and the class of persons to whom the data may be transferred, (c) on or before, his right to access and correct the data collected and the information of the person who might handle such requests.

REGULATORY OVERVIEW

- (2) All practicable steps shall be taken to ensure the accuracy of the person data collected, and kept not long than is necessary.
- (3) Personal data should not be used for the purposes outside of the person’s consent.
- (4) All practicable steps shall be taken to ensure that any personal data held by a data user is protected against unauthorized or accidental access, processing, erasure, loss or use.
- (5) All practicable steps shall be taken to ensure that a person can (a) ascertain a data user’s policies and practices in relation to personal data; (b) be informed of the kind of personal data held by a data user; (c) be informed of the main purposes for which personal data held by a data user is or is to be used.
- (6) A data subject shall be entitled to ascertain whether a data user holds personal data of which he is the data subject and request access to personal data. He should be given reasons if the request is refused and right to object to the refusal.

Contravention with the Data Protection Principles may entitle the Privacy Commissioner for Personal Data to issue a written notice directing the data user to remedy and prevent recurrence of contravention. Contravention with the above notice is an offence and the offender is liable on (a) first conviction to a fine HK\$50,000 and to imprisonment for two years, and if the offence continues after the conviction, to a daily penalty of HK\$1,000; and (b) second or subsequent conviction to a fine at HK\$100,000 and to imprisonment for two years, and if the offence continues after the conviction, to a daily penalty of HK\$2,000. It is a defense to the above offence if the data user shows that he exercised all due diligence to comply with the enforcement notice.

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance was enacted, amongst others, to prohibit conduct that prevents, restricts or distorts competition in Hong Kong. It creates two key prohibitions which take the form of two “Conduct Rules” of cross-sector application:

- (1) The First Conduct Rule prohibits agreements and concerted practices that have the object or effect of restricting competition in Hong Kong; and
- (2) The Second Conduct Rule prohibits a business with substantial market power from abusing that power by engaging in conduct that has the object or effect of restricting competition in Hong Kong. That is, it is only applicable to a single entity with substantial (but not collective) market power.

REGULATORY OVERVIEW

The First Conduct Rule applies where there is an agreement or concerted practice. There must be some form of conduct involving two or more parties for the First Conduct Rule to apply. The focus of the First Conduct Rule is serious cartel activity amongst business competitors which constitutes serious anti-competitive conduct, which include:

- (1) Price fixing: where agreement is reached on customer prices, or price elements such as discount and price range;
- (2) Market-sharing: where non-competition between competitors would be agreed by allocation of parts of the market, such as by customer demographic or by geographical location;
- (3) Out-put restriction: where production or sales output is limited as means of increasing prices; and
- (4) Bid-rigging: agreeing with competitors who would make the winning bid, subverting the competitive nature of the tendering process.

These serious anti-competitive behavior will be dealt with most severely by the Competition Commission. Other conduct such as vertical arrangements between suppliers and customers are generally not considered as serious anti-competitive behavior.

The Second Conduct Rule only applies where an undertaking has a substantial market power in a particular market. In considering whether an undertaking has substantial degree of market power, the relevant matters are: (a) the market share of the undertaking; (b) the undertaking's power to make pricing and other decisions; (c) any barrier to entry to competitors into the relevant market; and (d) any other relevant matters.

The Competition Ordinance provides that a conduct may constitute an abuse if it involves (a) predatory behavior towards competitors or (b) limiting production, markets or technical developments to the prejudice of consumers. Examples of conduct that may be considered an abuse of substantial degree of market power are: (a) predatory pricing, (b) anti-competitive tying and bundling, (c) margin squeeze, (d) refusal to deal, and (e) exclusive dealing.

If the Competition Commission has reasonable cause to believe that a contravention of the First Conduct Rule has occurred: (1) if the contravention does not involve serious anti-competitive conduct, the Competition Commission must issue a warning notice before bringing proceedings, and (2) if the contravention involves serious anti-competitive conduct or a contravention of the Second Rule, the Competition Commission may issue an infringement notice, and if the infringement notice is complied with, not to bring proceedings.

If a company and/or its directors are found to be involved in breaching the Competition Ordinance, the potential penalties are: (a) pecuniary penalties up to 10% of annual local turnover, (b) director's disqualification orders for up to five years, (c) divestiture of assets, shares or business, (d) voiding of agreement, and (e) injunction relief.

REGULATORY OVERVIEW

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)

The Copyright Ordinance recognizes copyright as a property right subsisting in various forms of works.

Copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorizes another to do, any of the acts restricted by the copyright, which includes (also known as primary infringement): (a) copying the work; (b) issuing copies of the work to the public; (c) renting copies of the work to the public; (d) making available copies of the work to the public; (e) performing, showing or playing the work in public; (f) broadcasting the work or including it in a cable program service; (g) making an adaptation of the work or doing any of the above in relation to an adaptation; and (h) other acts referred to in Part II of the Copyright Ordinance.

The Copyright Ordinance also provides for the acts which are categorized as secondary infringement, they include, amongst others: possessing, exhibiting, or distributing for the purpose of or in the course of any trade or business (it being immaterial whether or not the trade consists of dealing in infringing copies of copyright works); selling or letting for hire, or offering or exposing for sale or hire; or distributing otherwise to affect prejudicially the copyright owner, an infringing copy.

Commission of secondary infringement is a criminal offence if the infringer knows or has reason to believe the copy of a work to be an infringing copy of the work. For the sale of an infringing copy in the course of any trade or business, upon conviction on indictment, the infringer is liable to a fine at HK\$50,000 in respect of each infringing copy and to imprisonment for four years.

In the case of our Group which uses the photos supplied by the distributors, which may or may not constitute a secondary infringement of the copyright of the copyright owner, it is very likely that our Group has no knowledge and there is no reasonable ground to suspect that that the photos were provided by the distributors infringing copyright.

For pictures taken by our Group used and displayed in our website, retail stores and marketing materials, our Group is the author of those pictures and hence is the copyright owner. In relation to copyright works that may exist on some products, our Group does make copies of those copyright works in taking those pictures. It is a defense to copyright infringement if the person copies an artistic work for the purpose of advertising the sale of the work. As our Group makes copies of copyright works in the products for advertising the sale of the products (together with the copyright works), our Group can rely on such defense.

REGULATORY OVERVIEW

Trade Mark Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Mark Ordinance protects registered trademarks. The duration of the registered trademarks is for ten years, which can be further renewed for ten years per renewal. A registered trade mark may be challenged in revocation proceedings if it is not used in Hong Kong for a continuous period of three years.

A person infringes a registered trade mark if he uses in the course of trade or business a sign:

- (1) which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered;
- (2) which is identical to the trade mark in relation to goods or services which are similar to those for which it is registered, and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public;
- (3) which is similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or
- (4) which is identical or similar to the well-known trade mark in relation to any goods or services, and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

As at the Latest Practicable Date, our Group had registered 13 trade marks in Hong Kong which are material to our Group’s business. Our Directors confirm that our Group did not receive any claim for trade mark infringement during the Track Record Period and up to the Latest Practicable Date. For further details of our Group’s material intellectual property rights in Hong Kong, please refer to “Appendix IV — Statutory and General Information — C. Further Information about Our Business — 2. Material intellectual property rights of our Group” in this document.

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

The Business Registration Ordinance requires every person (a company or individual) carrying on a business in Hong Kong to register with the Inland Revenue Department and to obtain a business registration certificate within one month of the commencement of the business. Such business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong and therefore, designed to facilitate the Inland Revenue Department to collect tax from businesses in Hong Kong.

REGULATORY OVERVIEW

Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees’ Compensation Ordinance prohibits an employer from employing any employee in any employment unless there is a policy of insurance in force to cover the employer’s liabilities under the Employees’ Compensation Ordinance and at common law for injuries at work. The minimum insurance cover for not more than 200 employees should not be less than HK\$100 million per event whereas the minimum cover for more than 200 employees should not be less than HK\$200 million per event. Any employer who fails to comply commits an offence and is liable on conviction to a maximum fine of HK\$100,000 and imprisonment for two years.

An employer to whom a policy of insurance for the purpose thereof is required to display in a conspicuous place on each of his premises (where any employee is employed by him) a notice in a form specified by the Commissioner, which shows in both English and Chinese languages of (a) the name of the employer, (b) the name of the insurer, (c) the policy number, (d) the date of issue of the policy, (e) the dates of commencement and expiry of the period of insurance, (f) the number of employees insured under the policy at the time of issue thereof and (g) the amount of liability insured under the policy.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

The Mandatory Provident Fund Schemes Ordinance requires an employer to enroll his employees in a Mandatory Provident Fund Scheme and make contributions if the duration of employment is for 60 days or more. Employees whose contracts for employment were for less than 60 days, but also repeatedly renewed, are protected by the Mandatory Provident Fund Scheme Ordinance and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) as they deem such contracts as “continuous contracts”.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance requires every employer to, so far as reasonably practicable, ensure the safety and health at work of all the employer’s employees.

The employer may be considered to have failed to comply with the requirement if he (a) failed to provide or maintain plant and systems of work that are, so far as reasonably practicable, safe and without risks to health; (b) failed to make arrangements for ensuring, so far as reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances; (c) failed to provide such information, instruction, training and supervision as may be necessary to ensure, so far as reasonably practicable, the safety and health at work of the employer’s employees; (d) as regards any workplace under the employer’s control (i) failed to maintain the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health; or (ii) failed to provide or maintain means of access to and egress from the workplace that are, so far as reasonably practicable, safe and without any such risks; (e) failed to provide or maintain a working environment for the employer’s employees that is, so far as reasonably practicable, safe and without risks to health.

REGULATORY OVERVIEW

An employer who fails to comply with any of the above provisions commits an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

In terms of enforcement, the Commission for Labor may serve improvement notice and suspension notice on the employer. It is a criminal offence to fail to comply with the notice without reasonable excuse, and the offender is liable to a fine of HK\$200,000 and HK\$500,000 respectively and to imprisonment for twelve months.

The employer or the occupier of a workplace is required to notify any accident to an occupational safety officer within seven days, or within 24 hours if the accident causes the death of, or serious bodily injury to, an employee. The occupier of a workplace is also required to notify any dangerous occurrence to an occupational safety officer within 24 hours. Failure to notify the occupational safety officer is a criminal offence and attracts a fine at HK\$50,000.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance provides that an employer is required to furnish in writing, (1) within three months of engagement, particulars of any new employee (i.e. Form 56E) who is likely to be chargeable to salaries tax, and (2) at least one month before his employee ceases to be employed, particulars of any employee who is about to cease or ceases to employ in Hong Kong (i.e. Form 56F). Any employer who failed to do so, unless with reasonable excuse, commits a criminal offence and is liable to a fine of HK\$10,000 and the court may order the employer to do the act which they failed to do.

The Inland Revenue Ordinance requires any person on which profits tax is chargeable on his assessable profits to file tax return, provide supplemental documents if necessary, any pay the assessed profits tax accordingly.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance establishes a statutory minimum wage which has come into force since May 1, 2011. Wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage (SMW) rate. If an employer wilfully and without any reasonable excuse fails to pay the SMW rate when it becomes due is liable to be prosecuted and upon conviction, to a fine of HK\$350,000 and to imprisonment for three years.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are the largest brand management company in the perfumes market in mainland China, Hong Kong and Macau in terms of retail sales in 2023, and have a large and diverse portfolio of iconic brands of not only perfumes, but also color cosmetics, skincare products, eyewear and home fragrances under management.

Our history can be traced back to 1987 when Eternal Far East, one of our major operating subsidiaries, started introducing international perfumes into mainland China as well as optical products into Hong Kong and Macau. We were an early mover to introduce imported perfume products into the market in mainland China. Such pioneering approach solidified the Group’s future leading position in the industry. Mr. Lau has more than 40 years of experience in the industries where we operate, and has successfully led us to become the leading brand management company in the combined perfumes market in mainland China, Hong Kong and Macau. For details of background of Mr. Lau, please see “Directors and Senior Management” in this document.

Over years of operation, we have accumulated profound experience, industry-leading expertise and abundant resources for managing and promoting a portfolio of international brands. Further, we have built and maintained an omni-channel sales and distribution network in China through our management of international perfume brands. As of the Latest Practicable Date, we had a total of 63 brands under management, including Hermès, Van Cleef & Arpels, Chopard, Albion and Laura Mercier, and covered more than 7,500 offline POSs in over 400 cities in mainland China, Hong Kong and Macau.

KEY MILESTONES

The following illustrates our key development milestones and achievements:

Year	Milestones
1987	We were authorized to distribute imported perfumes from a Paris brand in mainland China
	We entered into the first exclusive distribution agreement to distribute imported eyewear products in Hong Kong and Macau
	We pioneered in managing imported skincare brand in mainland China
1992	We established distributor partnership with InterParfums, a globally renowned company specializing in the development, manufacturing, and distribution of prestige perfumes and cosmetics which has continued collaborating with us as one of our key business partners for over 30 years

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestones
1999	We launched our self-owned eyewear brand under the brand name of “Santa Monica”
2005	We began managing the perfume products of Hermès, a leading global player in fashion based in France in mainland China which were among the most high-end perfumes in the market
2007	We established distributor partnership with EuroItalia, a leading company in global fragrances and cosmetics industries, which creates, produces, and distributes a wide range of luxury fragrances and cosmetics which has continued collaborating with us as one of our key business partners for over 15 years We started to establish our travel retailers network by selling our products in Beijing Capital Airport
2012	We expanded our retailer channels to e-commerce platforms by first launching a Tmall flagship store for an international brand of color cosmetics
2014	We were authorized by Albion, a high-end Japanese skincare brand, as its sole brand manager to manage and distribute its products in department stores in Hong Kong and Macau
2016	We launched our retailer brand “Perfume Box” with online sales channel, and later established flagship store in 2018
2019	We developed a large-scale in-house e-commerce team with over 100 staff We launched Tmall flagship stores for Albion in mainland China We widened our sales and distribution channels to include JD.com (京東)
2020	We started publishing the China Perfume Industry Research White Paper (《中國香水行業研究白皮書》) jointly with an Independent Third-party industry consultant annually, which has become a well-received research report in China’s perfumes industry In February 2020, we launched a WeChat mini program in two weeks’ time and officially set up our omni-channel sales and distribution platform

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestones
2021	<p>We widened our sales and distribution channels to include Douyin (抖音), including setting up an in-house live streaming team and established a dedicated live streaming sales base</p> <p>We established over 6,000 offline POSs covering over 300 cities in mainland China, Hong Kong and Macau</p>
2022	<p>We expanded into the home fragrances market by introducing Maison 21G</p> <p>We launched our self-owned perfume brand under the brand name of “Santa Monica”</p>
2023	<p>We established a joint venture, B&E China, in respect of the operation of Dr. Babor, a high-end skincare brand from Germany and became the exclusive licensee of Dr. Babor, for its retail business in China</p> <p>We established partnership with Laura Mercier, a leading global cosmetic brand and started distributing their products</p> <p>We pioneered in launching the first standalone flagship store with cabin facial treatment for Albion in Hong Kong</p>
2024	<p>Our established offline POSs reached more than 7,500 in over 400 cities in mainland China, Hong Kong and Macau</p>

See the section headed “Business — Awards and Recognitions” in this document for details on the awards and recognitions received by our Group.

OUR SHAREHOLDERS

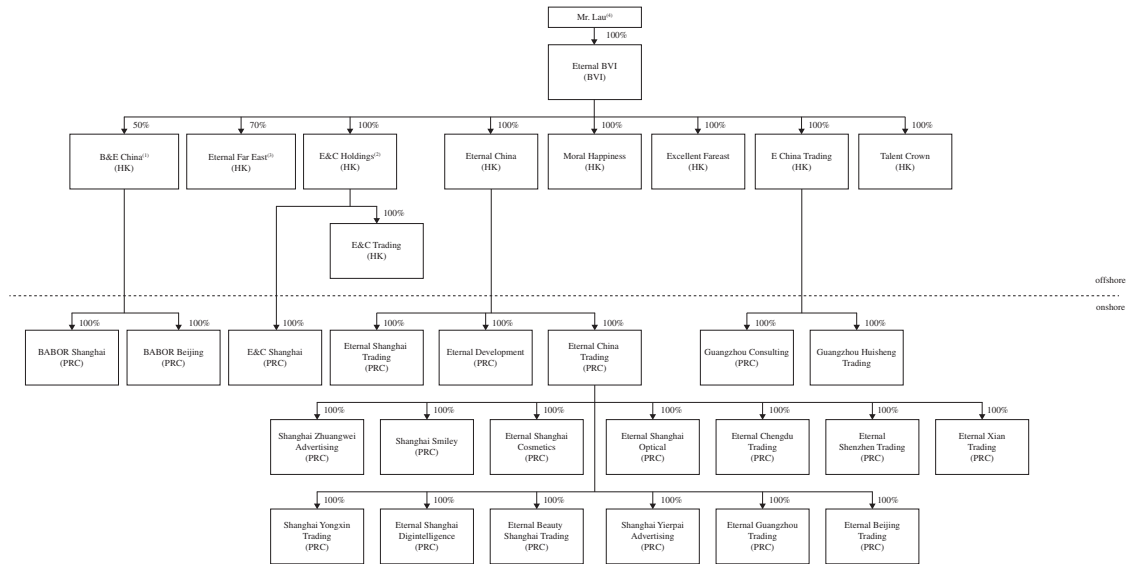
As part of the Corporate Reorganization, our Company became the ultimate holding company of our Group. Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on January 9, 2024. See the paragraph headed “— Corporate Development and Reorganization” in this section below for details.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT AND REORGANIZATION

In preparation for the [REDACTED] and to streamline our corporate structure, we underwent a Corporate Reorganization of our corporate structure, so that our onshore subsidiaries can be held by an onshore holding company.

The following chart sets forth our corporate structure immediately before the Corporate Reorganization:



Notes:

- (1) The remaining 50% equity interest of B&E China was held by Dr. Babor, an Independent Third Party, other than being the substantial shareholder of B&E China.
- (2) Pursuant to a China strategy and options agreement (the “**Option Agreement**”) entered into between Eternal BVI, Mr. Lau and one of our top five suppliers during the Track Record Period (the “**Supplier**”) on December 21, 2021, Eternal BVI granted an option to the Supplier to purchase the entire issued share capital of E&C Holdings (the “**Acquisition Option**”). The Acquisition Option may be exercised by the Supplier at any time in the period of six months upon the fifth anniversary of the Option Agreement the earliest.
- (3) The remaining 30% equity interest of Eternal Far East was held by Mr. Lau as to 20% and Mrs. Lau as to 10%, respectively.
- (4) Historically, our business in Hong Kong was mainly conducted through Eternal Far East and Visual Promotion Limited (“**Visual Promotion**”), a limited company incorporated in Hong Kong and was 100% beneficially owned by Mr. Lau. As Visual Promotion and our Group were under common control of Mr. Lau throughout the Track Record Period, certain assets, liabilities and results of operations relating to the business of Visual Promotion during the Track Record Period were included in the financial information of our Group. During the Track Record Period, in order to streamline our Group’s structure and to conduct our business under our “Eternal” brand, we gradually diminished the business scale of Visual Promotion and it has ceased to conduct any business since April 2024. Given that it no longer conducts any business and we expect to deregister such company, we have not included Visual Promotion in our Group.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The Corporate Reorganization involved the following steps:

Incorporation of Eternal International and our Company

Eternal International was incorporated as a company with limited liability in the British Virgin Islands on January 8, 2024, and is authorized to issue a maximum of 50,000 shares without par value. On the same day, one share of Eternal International was issued and allotted to Mr. Lau for US\$1. On April 17, 2024, eight shares of Eternal International were issued and allotted to Mr. Lau for US\$8, and one share of Eternal International was issued and allotted to Mrs. Lau for US\$1. After such allotment, Eternal International was held by Mr. Lau and Mrs. Lau as to 90% and 10%, respectively.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 9, 2024, with an authorized share capital of HK\$380,000 divided into 380,000,000 Shares with par value of HK\$0.001 each. On the same day, one subscriber Share was issued to an Independent Third Party incorporator and then transferred to Eternal International.

Acquisition of remaining equity interest of Eternal Far East

On May 9, 2024, 9,990,000 ordinary shares of Eternal Far East were allotted and issued to Eternal BVI credited as fully paid at par. Immediately after such allotment and issuance, each of Eternal BVI, Mr. Lau and Mrs. Lau, held 99.97%, 0.02% and 0.01% of Eternal Far East, respectively.

On June 17, 2024, Mr. Lau and Mrs. Lau transferred 2,000 and 1,000 ordinary shares of Eternal Far East to Eternal BVI, respectively. As consideration, Eternal BVI allotted and issued nine shares credited as fully paid at par to the Company at the direction of Mr. Lau and Mrs. Lau. Immediately after such transfers, Eternal Far East became wholly owned by Eternal BVI.

Acquisition of Eternal BVI

On June 18, 2024, Mr. Lau transferred one share of Eternal BVI representing 100% of issued share capital of Eternal BVI to the Company. As consideration, the Company allotted and issued one share credited as fully paid at par to Eternal International. Immediately after such transfer, Eternal BVI became directly wholly owned by the Company.

Incorporation of Eternal Development

Eternal Development was established in the PRC on January 23, 2024 as a wholly foreign-owned enterprise with a registered capital of RMB100 million, and was wholly owned by Eternal China. The registered capital shall be fully paid up by December 31, 2028.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Incorporation of PRC subsidiaries

Shanghai Eternal Trading was established in the PRC on February 28, 2024 with a registered capital of RMB10 million, and was wholly owned by Eternal Development. The registered capital shall be fully paid up by December 31, 2028.

Shanghai Eternal Import and Export was established in the PRC on March 14, 2024 with a registered capital of RMB10 million, and was wholly owned by Eternal Development. The registered capital shall be fully paid up by December 31, 2028.

Shanghai Eternal Brand Management was established in the PRC on February 29, 2024 with a registered capital of RMB1 million, and was wholly owned by Eternal Development. The registered capital shall be fully paid up by December 31, 2028.

As advised by our PRC Legal Advisor, the relevant approvals and permits from relevant authorities in the PRC with respect to the Corporate Reorganization have been obtained, and the procedures involved are in accordance with applicable PRC laws and regulations.

Exchange of BVI Options for Cayman Options

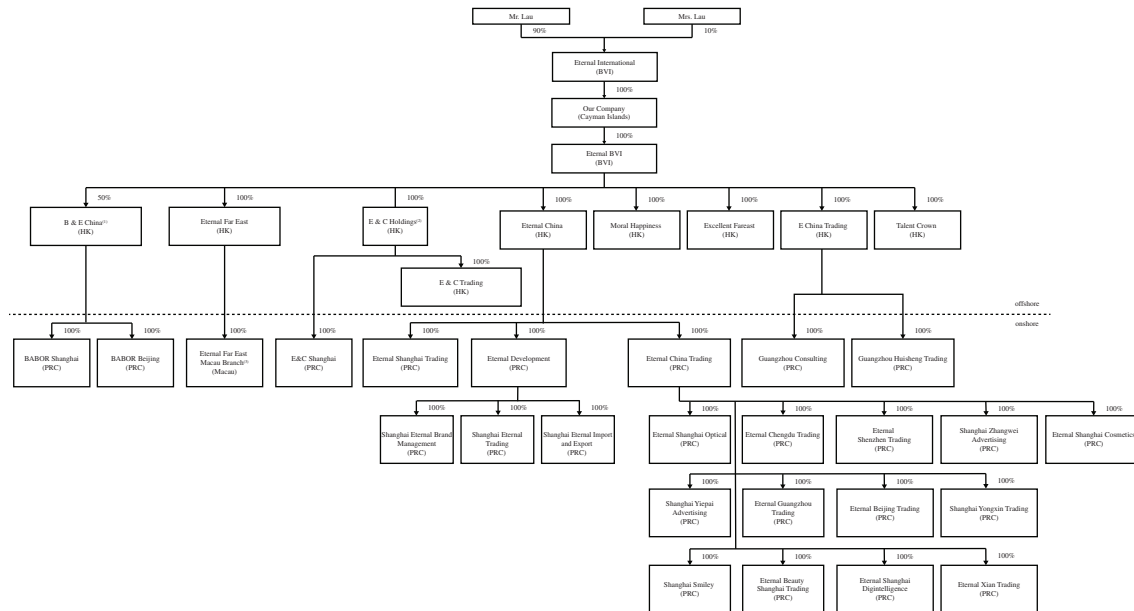
Eternal BVI is a limited liability company established in the BVI and was directly wholly owned by Mr. Lau before the Corporate Reorganization. Following the reorganization step referred to in the section headed “Acquisition of Eternal BVI” above in June 2024, Eternal BVI and its subsidiaries became subsidiaries of the Group. Except for holding equity interest in various subsidiaries of the Group, Eternal BVI did not conduct any other business.

On December 1, 2019 and March 31, 2024, Eternal BVI granted a total of 26,194,000 options (“**BVI Options**”) under a share option scheme of Eternal BVI, representing 26,194,000 underlying shares and approximately [REDACTED]% equity interest of Eternal BVI, to certain directors, senior management and key employees of various subsidiaries of the Group (collectively, the “**BVI Options Grantees**”) to retain them and incentivize their continued contribution towards the development of the Group. The BVI Options were vested but remained unexercised by the BVI Options Grantees before the Corporate Reorganization. The exercise price of each BVI Option is HK\$0.1.

As part of the Corporate Reorganization, the [REDACTED] Share Option Scheme of the Company was adopted on June 18, 2024, and pursuant to which 26,194,000 options (“**Cayman Options**”) to subscribe for approximately [REDACTED]% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), were granted to the BVI Options Grantees on June 24, 2024 and July 8, 2024, respectively in exchange for the surrender and cancellation of the BVI Options on a one-to-one basis. The number of BVI Options is identical to the number of Cayman Options. The exercise price of each Cayman Option is HK\$0.1.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following chart sets forth our corporate structure immediately after the Corporate Reorganization:



Notes:

- (1) – (2) Please refer to notes (1) to (2) on page 144 in this document.
- (3) Eternel Far East Macau Branch was established as part of the business expansion of our Group and had not yet commenced actual operation as at the Latest Practicable Date.

OUR MAJOR OPERATING SUBSIDIARIES

Set out below are certain details of our subsidiaries which made material contribution to the operation of our Group during the Track Record Period.

Entity	Date and Jurisdiction of incorporation	Authorized Share Capital/ Registered Capital	Issued/Paid up Capital	Equity Interest Attributable to Our Group	Principal Business Activities
Eternel Far East	February 18, 1983 Hong Kong	HK\$1,000,000	HK\$1,000,000	100%	Trading and retailing of perfumes, skincare products, color cosmetics and eyewear
Excellent Fareast . . .	October 22, 1996 Hong Kong	HK\$300,000	HK\$300,000	100%	Trading and retailing of perfumes, color cosmetics and skincare products

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Entity	Date and Jurisdiction of incorporation	Authorized Share Capital/ Registered Capital	Issued/Paid up Capital	Equity Interest Attributable to Our Group	Principal Business Activities
Eternal Shanghai Cosmetics .	February 15, 2019 PRC	RMB10,000,000	RMB10,000,000	100%	Trading and retailing of perfumes, color cosmetics and skincare products
Guangzhou Consulting .	January 24, 2019 PRC	RMB1,000,000	RMB1,000,000	100%	Procurement of perfumes and color cosmetics
Guangzhou Huisheng Trading . .	October 15, 2014 PRC	RMB25,000,000	RMB25,000,000	100%	Trading of perfumes, skincare products and color cosmetics
Eternal Beijing Trading . .	April 19, 2019 PRC	RMB1,000,000	RMB1,000,000	100%	Retailing of perfumes, skincare products and color cosmetics
Eternal Chengdu Trading . . .	April 18, 2019 PRC	RMB1,000,000	RMB1,000,000	100%	Retailing of perfumes, skincare products and color cosmetics
Eternal Guangzhou Trading . . .	June 24, 2019 PRC	RMB1,000,000	RMB1,000,000	100%	Retailing of perfumes, skincare products and color cosmetics

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers that we consider to be material to us during the Track Record Period.

[REDACTED] SHARE OPTION SCHEME

Our Company adopted the [REDACTED] Share Option Scheme on June 18, 2024. As of the date of this document, the outstanding options to subscribe for an aggregate of 26,194,000 Shares representing approximately [REDACTED]% of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), have been conditionally granted by our Company under the [REDACTED] Share Option Scheme to a total of 18 grantees on June 24, 2024 and July 8, 2024, respectively, and the exercise price of each option granted were HK\$0.1. Upon exercise of the options under the [REDACTED] Share Option Scheme, a total of 26,194,000 Shares will be allotted and issued to Eternal Beauty Investment Limited, a company incorporated in BVI and wholly-owned by Futu Trustee Limited, the trustee of the trust set up by our Company to facilitate the administration of the [REDACTED] Share Option Scheme. As of the Latest Practicable Date, none of the options has been exercised.

The Shares allotted and issued upon the exercise of the options under the [REDACTED] Share Option Scheme are subject to certain lock-up restrictions. For further details of the [REDACTED] Share Option Scheme, see the section headed “Statutory and General Information — E. [REDACTED] Share Option Scheme” in Appendix IV to this document.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

PUBLIC FLOAT REQUIREMENTS

Immediately upon completion of the Capitalization Issue and the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED], any options granted under the [REDACTED] Share Option Scheme, and any options which may be granted under the Share Option Scheme, the Shares held by Eternal International, which is 90% owned by Mr. Lau, our executive Director, chairman of the Board and a Controlling Shareholder, and 10% owned by Mrs. Lau, the spouse of Mr. Lau, will not be counted towards public float.

Save as disclosed above, to the best of our Directors’ knowledge, no other Shareholder (i) is a core connected person of our Company; (ii) has been financed directly or indirectly by a core connected person of our Company for the acquisition of Shares; or (iii) is accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other dispositions of the Shares registered in their name or otherwise held by them, and all the Shares held by such Shareholders will be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules upon [REDACTED]. Accordingly, immediately following completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), approximately [REDACTED]% of our issued Shares will be held by the public and counted towards the public float for the purpose of Rule 8.08 of the Listing Rules.

CORPORATE STRUCTURE

The following charts illustrate our shareholding and corporate structure (1) immediately after the completion of the Corporate Reorganization but prior to the completion of the Capitalization Issue and the [REDACTED], and (2) immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming that the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme).

BUSINESS

OUR VISION

We aim to become a leading brand management group in Asia by continuously curating iconic brands and make them thrive. Our mission is to fuel consumers’ pursuit and enjoyment of an exquisite and beautiful life.

OVERVIEW

We are the largest brand management company of perfumes in the combined markets in mainland China, Hong Kong and Macau in terms of retail sales in 2023, we have a large and diverse portfolio of iconic brands of not only perfumes, but also color cosmetics, skincare products, personal care products, eyewear and home fragrances under management. We achieved a leading position for perfumes in the combined markets of mainland China, Hong Kong and Macau as a result of our long operating history, through which we gained extensive knowledge in the perfume industry in these markets, and accumulated pertinent expertise and abundant resources for the management and promotion of numerous international perfume brands. According to Frost & Sullivan, we are the third largest perfume group in the combined market of mainland China, Hong Kong and Macau in terms of retail sales in 2023. We were also the only brand management company of perfumes among the top five perfume groups in both mainland China’s market and the combined markets of mainland China, Hong Kong and Macau in terms of retail sales in 2023.

Leveraging our market leading position, deep industry know-how and valuable experience in China’s perfume industry, we are well-positioned to benefit from the expected growth of the perfumes market in China. China’s perfumes market sustained rapid growth in recent years and has the potential to further expand, mainly due to the lower penetration of perfumes in China and its large population size compared with other developed countries, according to Frost & Sullivan. We believe we will continue to capitalize on the market opportunity brought by the emerging olfactory economy (嗅覺經濟) in China by curating perfume brands that offer diversified personalities and aesthetic values to consumers in a variety of consumption scenarios.

We gradually accumulated outstanding brand management capabilities for introducing and managing various globally leading brands in mainland China, Hong Kong and Macau during our extended operation, which enabled us to address the challenges faced by the global brands in respect of its go-to market strategy, distribution network planning and consumer catering tactics in these markets. Our brand management capabilities are supported by our deep market insights, extensive omni-channel network, experienced teams of professionals and strong supply chain management capabilities, all of which were acquired through our early penetration in the perfumes market in China, on-the-ground local presence and continuous capital investments and business relationship maintenance and expansion. Such comprehensive brand management capabilities also enabled us to build and maintain a strong, stable and win-win relationship with our brand licensors, which can further strengthen the multi-layered market entry barriers. We believe they cannot be easily replicated by our competitors.

BUSINESS

Our reputation among the world’s leading brands enabled us to be the partner-of-choice for a number of brand licensors who are looking to enter into or expand their brands’ presence in mainland China, Hong Kong and Macau. Such long-term business relationships enabled us to curate iconic brands and attractive products in our portfolio. As of the Latest Practicable Date, we have a total of 63 brands under management, including Hermès, Van Cleef & Arpels, Chopard, Albion and Dolce & Gabbana and Laura Mercier which cover diverse and versatile pricing tiers and features catering to differentiated demands of the consumers in mainland China, Hong Kong and Macau. For details, please see the section headed “— Brands and Products” in this document. During the Track Record Period, a significant portion of the brand licensors we work with have granted us exclusivity in terms of the selected products, channels and territories of distribution. We believe these exclusive licenses and sub-licenses showcased the trust the brand licensors have in us, and solidified our competitive advantage over our competitors.

We offer a comprehensive sales and distribution network covering almost all possible access for perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances in mainland China, Hong Kong and Macau. As of the Latest Practicable Date, we had more than 7,500 offline POSs in over 400 cities in mainland China, Hong Kong and Macau. In addition to offline sales channels, we also sell products online via well-known e-commerce platforms and social media platforms in mainland China, Hong Kong and Macau. Such large and omni-channel sales and distribution network helps us maintain a growing consumer base in the evolving market environment, maximizes the value of our consumers by allowing them to enjoy seamless and convenient shopping experience; and enables us to address the demands from a large group of consumers with varying ages, spending powers and product preferences. Our well-balanced sales and distribution network covering both online and offline channels also enabled us to adjust our sales approaches flexibly in response to the changes that may affect our business and industries.

During the Track Record Period, we have maintained steady growth of our business and results of operations. Our revenue increased from RMB1,674.7 million for the year ended March 31, 2022 to RMB1,699.1 million for the year ended March 31, 2023, and further to RMB1,863.8 million for the year ended March 31, 2024. Similarly, our net profit grew from RMB170.9 million for the year ended March 31, 2022 to RMB173.1 million for the year ended March 31, 2023, and further to RMB206.5 million for the year ended March 31, 2024. We managed 47, 49 and 59 brands for the years ended March 31, 2022, 2023 and 2024, respectively.

BUSINESS

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors:

We maintain a leading position for perfumes in the combined markets of mainland China, Hong Kong and Macau

We are the largest brand management company for perfumes and the third largest perfume group in the combined markets of mainland China, Hong Kong and Macau in terms of the retail sales of perfumes in 2023. Among the top five perfume groups in China’s perfumes market, we were the only brand management company in 2023. In addition, our portfolio of perfume brands under management included seven brands among the top 30 perfume brands in terms of retail sales of perfumes in 2023 in China.

We achieved a leading position in the combined perfumes market of mainland China, Hong Kong and Macau by leveraging our continuous operation of more than 40 years, through which we gained extensive knowledge in the perfume industry in these markets, and accumulated the relevant expertise and abundant resources for the management and promotion of international perfume brands. To share our valuable industry insights with key players in China’s perfumes industry, including, but not limited to, international brand owners of perfumes, perfume industry experts and domestic and international fashion and cosmetics publications, beginning in 2020, we have jointly published the “China Perfume Industry Research White Paper” (《中國香水行業研究白皮書》) with an Independent Third-party industry consultant annually. It has become a well-received research report analyzing the relevant market trends and consumers’ behavior patterns relating to perfumes in China, and providing general observations and suggestions to the existing and potential players in China’s perfumes industry. Since its publication, this research white paper has been used as references by numerous players in the perfumes industry. In 2023, a number of media participants and KOLs participated in our launch conference of the China Perfume Industry Research White Paper, with a large audience watching its online broadcast. Moreover, over 160 news reports and articles about such launch conference were published.

In addition to the external brands we manage, we also launched our self-owned brand, Santa Monica in 1999, under which we sold eyewear and perfumes during the Track Record Period. We believe our successful launch and continuous operation of Santa Monica showcase our ability to fully utilize our experience gained from managing international brands, our omni-channel sales and distribution network, and the expertise and resources we accumulated from our operations in the perfumes market, which help to distinguish us from our competitors.

BUSINESS

We maintain a clear focus on the structurally growing and resilient olfactory economy in China to capture strategic market opportunities

The emerging olfactory economy in China is expected to serve as a sustainable growth engine in China’s perfumes market. According to Frost & Sullivan, China is the fastest growing perfumes market among the top 10 countries in the global perfumes industry in terms of retail sales from 2018 to 2023, with a CAGR of 15.0% during this period. Comparatively, the perfumes market in the United States, Brazil, France, Germany and the United Kingdom grew at a CAGR of 7.0%, 2.8%, 0.7%, 2.4% and 0.7%, respectively, for the same period. China’s perfumes market also demonstrated resilience in the changing macro environment, including the adverse impact caused by the COVID-19 pandemic. The market size in China’s perfumes market in terms of retail sales grew at a CAGR of 15.0% from 2018 to 2023 (including a CAGR of 11.7% from 2020 to 2022), and is expected to further grow at a CAGR of 14.0% to 2028. This growth rate was higher than that of the perfumes market in the United States, the United Kingdom, Japan and South Korea, according to Frost & Sullivan.

Despite the fast growth of the perfumes market in China in terms of retail sales in recent years, the per capita expenditure on perfume by consumers in China is still relatively low as compared to other countries, including other Asian countries such as Japan and South Korea, and large perfumes market such as the United States and the United Kingdom mainly due to the lower penetration of perfumes in China and China’s large population size. However, per capita expenditure on perfumes in China has experienced an upward trend, growing at a CAGR of approximately 14.9% from 2018 to 2023. A key contributing factor to the future growth of China’s perfumes market is the olfactory economy. It is a trend among China’s perfume consumers to pursue uniqueness, personality and aesthetic value when wearing perfumes or using other fragrance products, according to Frost & Sullivan. This trend is expected to continue to generate consumer demand on perfumes and other fragrance products for daily usage, personal collection and gifts, as the case may be, and further propel the growth of China’s perfumes market.

Leveraging our market leading position, deep industry know-how and substantial experience in China’s perfumes industry, we are well-positioned to benefit from the expected growth of the perfumes market in China. As a leader in China’s perfumes market, our market share in terms of retail sales was approximately 8.1% in 2023. Our perfume brand portfolio consisted of 48 brands as of the Latest Practicable Date, comprising a number of world famous brand names, prestigious perfume houses and emerging niche brands, including, among others, Versace, Parfums de Marly and Xerjoff. Our product offerings in perfumes market cater to a diverse group of consumers with varying ages, spending powers, taste in scents and needs for wearing perfumes. We also have a stellar reputation among global players in the perfume industry for our proven track record of successfully launching and managing international brands in China. We believe such success is attributable to our ability to anticipate and quickly adapt to the local trends by continuing to explore new product offerings that are tailored to the demands and preferences of the consumers. In particular, we capitalized on the market opportunity brought by the olfactory economy in China by curating perfume brands that offer different personalities and aesthetic values to consumers in a variety of consumption scenarios.

BUSINESS

For instance, we introduced Maison 21G in 2022, an established brand that is able to create bespoke perfumes for individual consumers based on their particular preferences and tastes in scents, which we believe appeals to certain consumers who pursue individuality and personal tastes. Furthermore, we emphasize satisfactory consumer shopping experiences. Accordingly, we created Perfume Box, our self-operated retailer brand, a one-stop shopping spaces with a large and diverse selection of perfumes for consumers . We adopted several marketing and sales approaches to stimulate the shopping desire and loyalty of the consumers at Perfume Box. Please see “— Our Competitive Strengths — We have a large and multi-layered customer base comprising an omni-channel sales and distribution network to continuously reach wider group of consumers” in this section for more details.

As a result of our ability to capture the growth opportunities in China’s perfumes market, our revenue generated from the sales of perfumes in China increased steadily during the Track Record Period. Despite the impact of the COVID-19 pandemic on the Chinese economy from 2021 to 2023, our sales of perfumes remained resilient in light of our revenue growth during the same period.

We developed outstanding brand management capabilities, which impose significant market entry barriers for our competitors

During our extended operation, we gradually accumulated in-depth industry understanding and strong execution capability to introduce and manage various globally leading brands in mainland China, Hong Kong and Macau. We provide brands with highly value-added and one-stop services generally covering every aspect of their operation in the local markets. Such brand management capabilities enable us to address the challenges faced by the global brands in respect of its go-to market strategy, distribution network planning and consumer catering tactics. Our brand management capabilities are primarily demonstrated in the following aspects:

- *Brand strategy and go-to-market plans:* We maintain an efficient organization structure that enables us to consolidate internal and external resources, and provide comprehensive brand management services to our brand licensors. We closely monitor local consumers’ needs and market trends when launching new brands in mainland China, Hong Kong and Macau. Based on different market positions and development needs of the particular brands, we formulate tailor-made brand development strategies, consumer outreach strategies and go-to-market plans with strong international know-how and local market insight. We also customize the marketing deployment plans for the brands we manage, which allow them to enjoy a combination of media and public relations exposures to reach broad and diverse groups of local consumers. With strong connection with KOLs and media, we are able to leverage these resources to help the brands in our portfolio to gain valuable market exposure and penetrate various levels of the local markets to maximize their return on investment. We also utilize our strong CRM database to keep close track of the evolving consumer preferences, which, we believe, will enable us to achieve the anticipated business expansion expectation of the brands in mainland China, Hong Kong and Macau.

BUSINESS

- *Sales and distribution network:* We have established a comprehensive sales and distribution channels covering almost all possible access for perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. The limited exposure to local sales and distribution network resources is a challenge commonly faced by international brands, according to Frost & Sullivan. We built our omni-channel sales and distribution network progressively by leveraging our long-term and on-the-ground presence in the local markets and in-depth industry knowledge that helped us overcome the challenges in China’s fast-evolving market and our know-how accumulated in the complex industry and regulatory environment. We had more than 7,500 POSs in over 400 cities in mainland China, Hong Kong and Macau as of the Latest Practicable Date, which enabled us to quickly deploy the go-to-market strategies for new brands we manage.
- *Importation compliance:* We have a dedicated professional regulatory affairs team, including a regulatory affairs consulting team and a technical team, which provides the brands we manage with one-stop compliance solutions covering regulatory affairs consulting, product testing and registration filing. It also helps the brands conduct compliance review at the product development stage, complete registration filing before the products enter into the Chinese market, and continue to carry out compliance supervision after importation. The advantage of having a dedicated in-house registration team is that in addition to helping our brand licensors complete the necessary product filings, we also work with the internal supply chain department to ensure that goods are imported in a compliant manner and that the registration information is consistent with the filing information, as well as with the branding and business teams to ensure that the product launches are carried out according to the stated business plans.
- *Supply chain management:* We are capable of handling all matters in the supply chain process, from product procurement, warehousing to logistics support. According to Frost & Sullivan, cultural disparities and industry know-how in the supply chain process in China are among several formidable challenges for international brands that wish to enter into this market. We are able to timely arrange for importation, warehousing and logistics, starting from the procurement of products to the delivery to our customers. The warehouses we use are located in multiple cities, including Hong Kong, Shanghai and Guangzhou, making us more flexible in logistics choices involving product storage, and more resilient to deal with unexpected disturbance to our supply chain.

We believe our market insights, local expertise, supply chain management capabilities and sales and distribution network were acquired through our early penetration in the perfumes market in China, on-the-ground local presence and continuous capital investments and business relationship maintenance and expansion, which we believe cannot be easily replicated by our competitors. We are also capable of grasping and decoding the core values of the brands we manage, and making effective and proper connection of their products to Chinese consumers. We believe this has been a key advantage for us that limits the disruptive potential of new

BUSINESS

market entrants. Moreover, our extensive brand management capabilities enabled us to build and maintain a strong, stable and win-win relationship with our brand licensors. We believe such close partnership with brand licensors can further strengthen the multi-layered market entry barriers, and thereby, creating additional obstacles for our competitors to replicate our success.

We are the long-term partner-of-choice for the leading global brands

We have a stellar reputation among the world’s leading brands as a result of our proven track record of successfully launching and managing international brands in mainland China, Hong Kong and Macau. Our reputation enabled us to be the partner-of-choice for a number of brand licensors who are looking to enter into or expand their brands’ presence in these markets, particularly in China, which has been increasingly viewed as a strategically significant market for global expansion and growth by the international brands, according to Frost & Sullivan. We maintain long-term and stable relationship with our brand licensors. For example, we cooperate with InterParfums and Albion. InterParfums is a globally renowned company specializing in the design, manufacturing and distribution of perfumes and cosmetics. We have worked with InterParfums, which was also one of our top five suppliers during each financial year in the Track Record Period, for over 30 years. In addition, we have been the only local operator for Albion, which is a high-end Japanese skincare brand, in Hong Kong since 2014.

A majority of the brands under our management as of Latest Practicable Date were introduced by us into the markets of mainland China, Hong Kong or Macau for the first time, and established their foothold in the region from scratch. The brands we introduced into these markets include, among others, (i) Coach, an iconic global fashion house founded in New York in 1941; and (ii) Van Cleef & Arpels, a world-renowned luxury jewelry brand that also offers niche perfumes.

Our long-standing business relationships with the leading international brand licensors enabled us to curate iconic brands and attractive products. As of the Latest Practicable Date, we had a total of 63 brands under management, including Coach, which offers trendy perfumes such as Coach the Fragrance (紐約女士) and Coach for Men (紐約男士), and Van Cleef & Arpels, which offers perfumes such as Moonlight Patchouli (月光廣藿香) and Santal Blanc (月光白雪檀香). For details, please see the section headed “— Brands and Products” in this document.

The brands and products we manage cover diverse and versatile pricing tiers and features catering to differentiated demands of the consumers in mainland China, Hong Kong and Macau. For instance, we offer entry-prestige perfumes, prestige perfumes and luxury perfumes to consumers who exhibit different spending powers. To make the perfume products we sell attractive and accessible to consumers with different tastes and preferences in scents, we also

BUSINESS

offer perfumes containing all spectrums of scent profile, including floral notes, oriental notes, woody notes and fresh notes. In the skincare category, we offer a wide range of products covering different skin ages, skin status and functions, including whitening, moisturizing and anti-aging.

We primarily promote and sell certain featured products of the brands we manage in selected sales channels and territories under exclusive licenses or exclusive sub-licenses, which preclude our competitors, even the brand licensors themselves, from selling the same products in the same channels and/or territories. During the Track Record Period, a significant number of the brand licensors we work with have granted us exclusivity in terms of the selected products, channels and territories of distribution. We believe these exclusive licenses and sub-licenses showcased the trust these brand licensors have in us, and solidified our competitive market advantage.

We have a large and multi-layered customer base comprising an omni-channel sales and distribution network to continuously reach wider group of consumers

We offer a comprehensive sales and distribution network covering almost all possible access for perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances in mainland China, Hong Kong and Macau. Our products reach consumers via multiple channels, including online sales channels, such as social media platforms and e-commerce platforms, and offline sales channels, such as shopping malls, department stores, travel retailers and chained cosmetics specialty stores. These channels are either directly operated by ourselves, which are our self-operated channels, or operated by our retailer and distributor customers, which procure products from us and sell them to other retailers and/or consumers. We believe this large and multi-faceted sales and distribution network helps us maintain a steadily growing consumer base in the evolving market environment.

Our omni-channel sales and distribution network primarily demonstrates the following features:

- *Robust offline sales and distribution channels:* We maintain a well-balanced and fully integrated online and offline sales and distribution network, where we provide offline shopping spaces in which consumers can gain hands-on experience with the actual products and interact with our resident beauty advisors, and online shopping for convenient and fast shopping experiences. As compared with some of our competitors, we have more extensive offline sales and distribution channels, which were a result of our strong recognition by the key players in the market and long-term accumulation of fruitful business relationships. As of the Latest Practicable Date, we operated a total of 30 boutique stores. As of the same date, we had more than 7,500 POSs within our offline sales channels in over 400 cities in mainland China, Hong Kong and Macau.

BUSINESS

- *Well-rounded presence on the online platforms:* We sell products through all major online platforms in China, according to Frost & Sullivan. These online platforms consist of e-commerce platforms such as Tmall and JD.com, and social media platforms such as Douyin (抖音), Kuaishou (快手) and RED (小紅書). Besides selling products on online platforms, we participate in various selling and promotional activities hosted by online platforms to promote the brands under our management. For instance, in 2018, we participated as a representative merchant, or “captain” (艦長), of the Tmall Perfume Day (天貓香水品類日), which is an important perfume promotional activity held several times a year by Tmall. We also cooperate with online platforms from time to time to analyze the consumer data and other information collected by them to prepare research reports that both online platforms and us can utilize to better reach online consumers.

We attract and reach consumers through our extensive sales and distribution network, thereby capturing the up-to-date market trends. For instance, during the Track Record Period, we sold over 2,000 products in terms of SKU from over 55 brands in online and offline Perfume Box stores. We successfully launched various sales and marketing initiatives at the Perfume Box store and under the Perfume Box name, which demonstrated the advantages of our proprietary retailer brand by fully utilizing our sales and marketing resources. These initiatives include, among others, (i) Bank of the Perfume (香氛銀行), a marketing and product display initiative that strives to build a sense of connection between consumers and their scent memory, which can be recreated by perfumes; (ii) Olfactory Social Networking (嗅覺社交), a store design concept under which we design the store into a social networking space for perfume lovers, which goes beyond the shopping spaces and helps boost consumer traffic and loyalty; and (iii) Mystery Boxes for Perfumes (香水盲盒), a sales initiative under which we wrap miniature perfumes into unlabeled boxes with appealing design to create surprises to consumers and stimulate their purchase desire. In addition, we built a comprehensive membership system for Perfume Box to enable us to transform potential consumers to become our loyal customers.

We have built such omni-channel sales and distribution network through our management of the international perfume brands, and are well-positioned to leverage this extensive network to sell other types of branded products, including skincare products, color cosmetics, personal care products, eyewear and home fragrances. We believe that the difficulty in building and expanding this network sets high entry barriers for our competitors to compete with us in terms of sales and distribution capabilities.

Our multi-layered sales and distribution network enables us to cover wide range of consumers with varying ages, spending powers and product preferences. We strive to offer appropriate and suitable products that satisfy the personalized needs of such a diverse group of consumers. Based on consumer shopping data we collect from offline and online sales channels, and leveraging our big data analytics capability, we offer tailored beauty advice and recommendations to consumers through our resident beauty advisors, which we believe helps to create intimate interactions with consumers and drive their purchasing desire. Our sales and distribution network also enables us to determine the cities, sales channels and marketing activities, as well as distribution approaches that we believe are appropriate for the products we sell to reach the target consumer groups. In addition, in order to develop long-lasting and

BUSINESS

personalized relationships with our consumers, we have established a membership program with more than 2.0 million consumer members as of March 31, 2024. We have built a full-cycle consumer management program that covers the entire life cycle of consumers. To formulate targeted sales and marketing strategies, we categorized consumers into potential consumers, enthusiastic potential consumers, active and loyal consumers, normal consumers, dormant consumers and former consumers. For details of our sales and marketing strategies towards different types of potential consumers and consumers, please refer to the paragraph headed “— Our Business Model — Brand Building and Enhancement — Consumer Relationship Management” in this section. We strive to continuously transform first-time perfume users into frequent consumers with high degree of loyalty through their interactions with our beauty advisors, our membership program and various marketing initiatives. Our well-balanced sales and distribution network also enabled us to adjust our sales approaches flexibly in response to any developments that may affect the industries in which we operate or our business.

We are led by a visionary management team, promoting a people-centric corporate culture

Led by Mr. Lau, our founder and president, we have a seasoned and visionary senior management team that combines deep industry and operation know-how and technological savviness with a strong sense of mission to serve both the brands and consumers. Members of our senior management team have extensive experience in the perfumes, skincare products, color cosmetics, eyewear, home fragrances, personal care products and/or retail industries in China. Mr. Lau has more than 40 years of experience in the industries where we operate, and has successfully led us to become a leading brand management company for perfumes in China. Ms. Lam, our chief executive officer, has approximately 25 years of relevant experience with us. Ms. Lau, our executive Director and the daughter of Mr. Lau, joined our Group in 2004, and has accumulated abundant experiences in public relations, brand management and product procurement, with respect to both perfumes and color cosmetics. Mr. Chu Wai Tsun, Baggio, our chief financial officer, has over 20 years of experience in accounting and finance accumulated from his work in accounting firms and companies listed on the Stock Exchange. He is responsible for our overall financial management and investor relationship affairs. Ms. Wang Wei, our chief operating officer, has over 14 years of experiences in the beauty industry and e-commerce, and is responsible for our Group’s sales and operations in China. She led the development and expansion of our direct sales and distribution channels to include over 20 e-commerce and social media platforms since joining our Company by leveraging her experience gained in one of the largest e-commerce platforms in China. Mr. Xue Yanhe, our vice president of the China region of our Group, accumulated abundant experience in expanding the sales channels since he joined our Group in 1998. He established close relationships with various shopping malls and department stores. Mr. Huang Huiyong, our general manager of modern sales channels of our Group, possesses over 20 years of experience in sales, marketing and general management in the retail and cosmetics industries. We believe Mr. Xue and Mr. Huang’s experience and relationships with business partners in the relevant sales channels will continue to help us make deeper penetration in these respective channels.

BUSINESS

We maintain a people-centric culture to inspire our employees to always strive for excellence. Our management and human resources team seek to provide tailor-made growth plans to our employees, under which their strengths are discovered and nurtured. Most of our senior management members have over 10 years of working experience within our Group, during which they were trained internally and progressively promoted based on their potential and performances. We also recruit external talents who gained valuable skills and experience outside our Group. We value both our internally trained talents in terms of their loyalty and home-grown capabilities, and our external talents in terms of their complementary skillset and outside experience. We believe our people-centric culture made a significant contribution to attracting and retaining highly qualified personnel, who form the backbone of our success and promoted our sustainable growth.

OUR BUSINESS STRATEGIES

To solidify our market leading position and further propel our business growth, we intend to pursue the following business strategies:

Strengthen our market leading position through optimizing, broadening and diversifying our brand and product portfolios

To maintain our competitive advantages as the leading brand management company in mainland China, Hong Kong and Macau, we intend to optimize, broaden and diversify our portfolio of both external brands and self-owned brands under management.

External Brands

For external brands, we plan to cooperate with new brand licensors of reputable and leading international brands that offer attractive products, which we believe are suitable for our target consumers and have the potential for growth in mainland China, Hong Kong and Macau based on our market analysis. Specifically, (i) for perfumes, we intend to identify suitable brands to cooperate with that we believe can complement our existing perfumes brand and products portfolios and enable us to expedite our business expansion strategy with respect to perfumes. Specifically, based on our extensive market research and abundant industry insights, we will consider the following factors when selecting the brands to cooperate with, including, among others, (A) their market reputation and financial performance; (B) their growth prospects; and (C) whether or not they are among the top 100 list in terms of retail sales in the United States prepared by reputable third-party market research consultants; (ii) for skincare products, we aim to identify the leading brands in the sun protection and anti-aging sub-markets, and introduce them into mainland China, Hong Kong and Macau; (iii) for home fragrances, we intend to introduce high-end branded products, including, among others, diffusers and scented candles; and (iv) for personal care products, we plan to identify the ideal perfume brands and home fragrances brands under our management that also offer personal care products to promote, and drive the sales of personal care products under these brands. We believe that the expansion of our brand and product portfolios will continue to drive our revenue growth, make deeper market penetration in mainland China, Hong Kong and Macau, and increase our market share in the existing industries in which we operate. We may also explore different and flexible methods of collaboration with the brand licensors, including, but not limited to, the establishment of joint ventures to manage the brands and their products.

BUSINESS

Self-owned Brands

We plan to continue to invest in and develop our self-owned brands, including our existing self-owned brand, Santa Monica, and other self-owned brand(s) to be launched in the future. For Santa Monica, we will refine the product categorization to better match the preferences and spending powers of our target consumers. We also plan to develop home fragrances under our Santa Monica brand to capitalize on the growing market opportunities in this segment. In addition to Santa Monica, we will develop and launch other self-owned brand(s) in the near future, including brand(s) for skincare products.

In addition to developing our proprietary brands, we may also acquire or investing in existing external brands of skincare products, or form joint ventures with their brand owners to operate such brands. We will consider the following factors when selecting such skincare brands for acquisition, including, among others, (i) location, for which we will primarily consider acquiring or investing in brand owners based in China and elsewhere in the Asia Pacific region; (ii) sound operating history and stellar market reputation; (iii) diverse and high-quality products; and (iv) history of successfully launching skincare products in the past with annual retail sales of more than US\$10 million for the most recent financial year. As of the Latest Practicable Date, we have not identified any suitable acquisition or investment target.

We plan to invest HK\$[REDACTED] million, or [REDACTED]% of the net [REDACTED] of the [REDACTED], in the development of our self-owned brands and the acquisition of or investment in external brands. For further details, please see “Future Plans and Use of [REDACTED]” in this document.

Extend our consumer reach through continued investment in our self-operated retailer channels

We are dedicated to expanding our self-operated retailer network through (i) launching and expanding our Perfume Box stores in the first tier, new first tier and second tier cities in China; (ii) launching additional self-operated stores/counters for the brands we manage; and (iii) acquiring seasoned local retailers for perfumes and color cosmetics in the second tier and lower tier cities in China.

Perfume Box

We envision to build Perfume Box into a signature self-operated online and offline retailer store chain that can (i) attract artistic youths (文藝青年), who are young consumers that tend to express their personalities and aesthetic tastes in the products they use; and (ii) educate novice perfume users, thereby cultivating them into loyal and frequent consumers of the products we sell. To achieve this objective, we plan to:

- *Introduce perfumes and other fragrance-related products that can address the demands of the target consumers of Perfume Box:* In light of China’s relatively low per capita expenditure on perfumes compared to countries such as the United States,

BUSINESS

the United Kingdom, Japan and South Korea, we believe there is tremendous potential for us to continue to gain market share and expand our presence in China. Accordingly, we will cooperate with certain brand licensors to supply perfumes with different scent profiles and in varying pricing tiers to be sold in our Perfume Box stores. Based on the location of the offline Perfume Box store and the preferences and spending powers of the local target consumers, we have the flexibility to offer a large and diverse selection of perfumes and fragrance-related products at different price levels from the brands we manage, all in a single, integrated shopping space.

- *Expedite the expansion of offline Perfume Box coverage:* We plan to open a total of approximately 100 offline Perfume Box stores in China in the next four years. It is our intention to primarily consider top-tier shopping malls and/or department stores at suitable locations for our offline Perfume Box stores with substantial consumer traffic. As of the Latest Practicable Date, we have opened one Perfume Box Store in Shanghai, and we were in the process of opening three new self-operated Perfume Box stores in Shenzhen and Kunming. For details of the store opening process and an analysis of the breakeven period and investment payback period of our new offline Perfume Box stores, please see the paragraph headed “— Sales and Distribution of Products — Direct Sales Channels — Self-operated Sales Channels — Expansion Plans” in this section.
- *Continue to boost the sales and influence of our online Perfume Box stores:* To extend the presence of Perfume Box stores online, we relied on our past experience of operating and managing our self-operated online stores on various e-commerce and social media platforms. As of the Latest Practicable Date, we had set up three online Perfume Box stores on Tmall.com, WeChat Mall and RED Mall, and plan to open another online Perfume Box store on Douyin by the end of 2024. We aim to further increase the revenue generated from the sales of our online Perfume Box stores and enhance their influence through various dedicated marketing initiatives and cooperation with the respective online platforms. For instance, we plan to conduct more marketing and promotion activities on RED to further improve the recognition of Perfume Box. We may also launch more promotional activities for online Perfume Box stores, including offering themed perfumes during shopping festivals and sending over-the-counter invitations to Perfume Box members for olfactory trials at our offline Perfume Box stores.

We believe Perfume Box has the potential to (i) satisfy the complex and divergent demands in the olfactory economy in China where consumers are increasingly pursuing uniqueness, personality and aesthetics value in wearing perfumes; and (ii) grow into a chained perfumes specialty retailer covering a large number of major cities in China, which we believe will continuously extend our reach to consumers across the country, and serve as the core engine of our growth. Perfume Box stores can also help us expedite the launch of certain products for brands under our management, especially new brands that are entering China for the first time.

BUSINESS

Other Self-operated Stores/Counters

We plan to expedite the expansion of our other self-operated channels through continuously launching offline stores/counters and online stores for the existing brands we manage and new brands we plan to cooperate with. Specifically, we will focus on expanding our offline sales and distribution network by opening new self-operated offline stores/counters for the existing brands we manage as well as the new brands we plan to cooperate in the first tier, new first tier and second tier cities in mainland China, Hong Kong and Macau in the next several years. For details of the store opening process and an analysis of the breakeven period and investment payback period of our new self-operated offline stores/counters, please see the section headed “Business — Sales and Distribution of Products — Direct Sales Channels — Self-operated Sales Channels — Expansion Plans” in this document. In addition, we plan to open additional self-operated online stores on numerous online platforms. In particular, we plan to open new online stores on Douyin in the next two years. We believe launching online stores on Douyin will enable us to utilize this platform for its combination of both a lively social media platform and a thriving e-commerce space.

We plan to invest HK\$[REDACTED] million, or [REDACTED]% of the net [REDACTED] of the [REDACTED], in the expansion and development of our Perfume Box stores and other self-operated stores/counters. For further details, please see “Future Plans and Use of [REDACTED]” in this document.

Acquisition of or Investment in the Local Retailers

Besides developing our self-operated retailer network through Perfume Box stores and other self-operated stores/counters, we may also seek opportunities to acquire or invest in certain sizable local retailer network in the second tier and lower tier cities in China, particularly in Jiangsu Province, Zhejiang Province and Guangdong Province, among others. When conducting our analysis regarding potential acquisition targets, we will primarily consider the following criteria: (i) solid market reputation and reliability; (ii) sound financial performance; and (iii) possession of a large and expanding consumer base. We believe such investment and/or acquisition will complement our expansion strategy and position our Company strategically to penetrate the local markets and reach new consumers quickly. According to Frost & Sullivan, there are more than 10,000 enterprises that satisfy the above-mentioned selection criteria. In line with our expansion strategy, our Directors are of the view that these enterprises comprise a list of potential acquisition targets we would consider pursuing in the future. However, as of the Latest Practicable Date, we have not identified any specific acquisition targets. We intend to apply the above-mentioned criteria to identify potential suitable local retailer acquisition targets and plan to carry out one or more acquisitions in the next three to five years. The completion timetable depends on the duration of the vetting/approval process.

BUSINESS

Accelerate digital transformation to streamline our business operations and strengthen the support for our full-cycle consumer management program

In order to streamline our business operations, improve our operating efficiency and strengthen our technological capability, we intend to digitalize our business operation systems. Specifically, we plan to:

- *Upgrade our digitalized CRM system to support our full-cycle consumer membership management program:* It is our intention to upgrade our existing CRM system because it currently contains the relevant data of a limited number of our consumers and members. We aim to expand and digitize this system to cover the relevant data of our consumers and members for all of the brands and products we manage. We also plan to standardize the categories of our consumers and members based on their purchase history, spending powers and product preferences across all of our business units. We believe this upgraded CRM system will enable us to more accurately analyze and identify cross-selling opportunities for our consumers and members with respect to the different brands and products under our management. This fully digitalized CRM system can also help us obtain more holistic consumer data that, we believe, can support the market analysis and research we will conduct.
- *Upgrade our mid-office systems to improve the efficiency and effectiveness of our business operations:* We plan to upgrade our existing mid-office systems, through, among others, (i) further upgrade our SAP systems to synchronize the data and information among various departments within our Group that handle our supply chain and inventories, and integration the operation of our business department and finance department; (ii) establish a digital system to collect pertinent data and information in the online platforms on a real-time basis, thereby making our advertising and promotional activities more targeted and effective, which we believe will improve our return on investment in these activities; and (iii) expedite the process of data capitalization to transform the data we currently possess to valuable data assets, which we anticipate will primarily include our extensive market data. We will set the relevant data asset standards, and design appropriate data asset evaluation systems and related processes and technical requirements. We aim to effectively manage and utilize these data assets, and enhance the economic and social value of such data assets, while adhering to the applicable data security laws and regulations.
- *Upgrade our finance and operation systems to improve the coordination efficiency among our various departments:* We plan to further upgrade our finance and operation systems, through, among others, (i) clarifying and standardizing our existing financial reporting systems to improve our finance data management efficiency; (ii) improving our office automation (“OA”) system by optimizing the OA process to satisfy the demands and requirements of our business operation; and

BUSINESS

(iii) improving the productivity of our employees by introducing multiple work automation measures into our operations, including connecting our order management systems and SAP systems, and introducing robotic process automation into our operations.

We plan to invest HK\$[REDACTED] million, or [REDACTED]% of the net [REDACTED] of the [REDACTED], to accelerate our digital transformation. For further details, please see “Future Plans and Use of [REDACTED]” in this document.

Enhance the recognition and industry-leading reputation of our Group

We strive to continuously enhance our recognition by industry players and consumers, and solidify our leading position in the perfumes market in mainland China, Hong Kong and Macau. As a brand management company, we believe such recognition and reputation are crucial to maintaining our stable and mutually beneficial business relationship with the brand licensors and to our long-term success. Specifically, we intend to undertake the following measures:

- *Industry events:* We will continue to organize of and participate in industry-wide perfume conferences and other events, where industry players, such as the distributors we work with and our trading partners, are expected to be in attendance. For instance, we plan to organize industry-wide perfumes salons where key market players can share the latest knowledge and experiences in the perfumes industry, and discuss the prevailing market trends.
- *Industry research and publications:* We intend to continue to work with our business partners to conduct the relevant market research and publish the influential China Perfume Industry Research White Paper (《中國香水行業研究白皮書》) in 2024 and beyond. In addition, we may publish market research papers for other product categories in the future, particularly for skincare products.
- *Promotion campaigns:* We will launch marketing campaigns to further promote consumer awareness on both the brands we manage and our Group. For instance, we may cooperate with industry associations and KOLs promote the brands and products we manage on social media platforms such as RED. We also plan to continue to participate in perfume exhibits where we can directly interact with perfume lovers to boost our image and cultivate consumers. In addition, we may organize advertising and promotional initiatives, such as placing perfume vending machines on the campuses of colleges and universities in China, which we believe can be appealing to college students and young consumers.

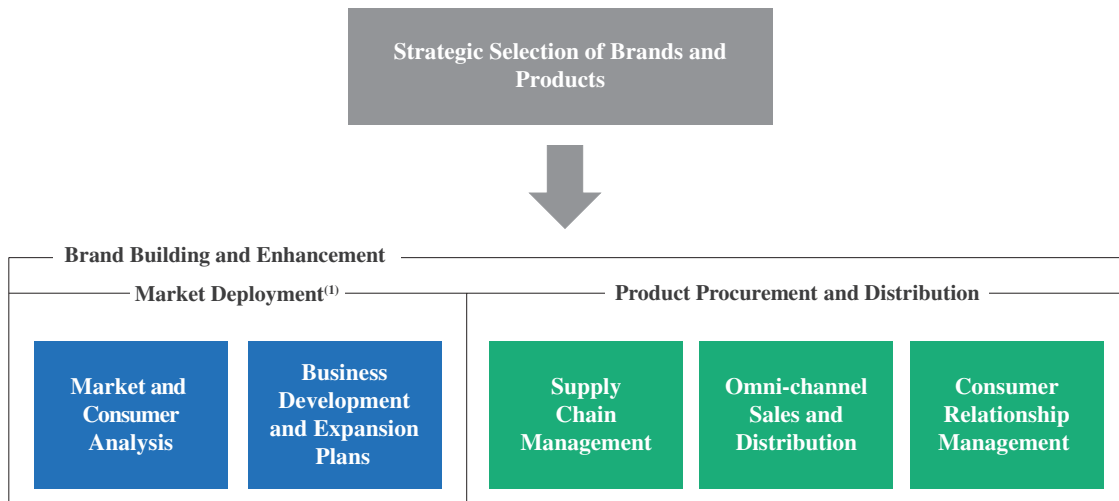
We plan to invest HK\$[REDACTED] million, or [REDACTED]% of the net [REDACTED] of the [REDACTED], to enhance the recognition and reputation of our Group. For further details, please see “Future Plans and Use of [REDACTED]” in this document.

BUSINESS

OUR BUSINESS MODEL

We manage and operate global brands covering the entire business process, including strategic selection of brand and product, formulation of market development and expansion plans, product procurement, inventory management, logistics, warehousing, marketing, sales and distribution, and consumer relationship management. Accordingly, we occupy an important segment in the global industrial value chain for perfumes, skincare products, color cosmetics, personal care products, eyewear, home fragrances, for which we continuously expand consumer base through our omni-channel sales and distribution network. Our business primarily comprises two key components that enable global brands to gain a foothold and continue to expand their presence and penetration in mainland China, Hong Kong and Macau, namely, (i) brand building and enhancement, in which we design and implement customized market entry and expansion plans for brands; and (ii) procurement and distribution of their branded products in mainland China, Hong Kong and Macau, in which we distribute the products to a wide range of consumers through our omni-channel sales and distribution network.

The following diagram illustrates the business model of our business during the Track Record Period:



Note:

- (1) We do not generate any revenue from the services associated with market deployment, including market and consumer analysis and business development and expansion plans. They are complementary to the brand management services we provide to the brand licensors, and primarily serve the purpose of strengthening our relationship with brand licensors and enhancing their brand value. The expenses we incurred in connection with the complementary services associated with market deployment were primarily recorded as our selling and distribution expenses in our combined financial statements during the Track Record Period.

BUSINESS

Strategic Selection of Brands and Products

We strategically select brands to manage and their products to promote and sell. Our management team investigates the relevant industries to discover reputable international brands with high potential that are in alignment with our growth and development strategies. Once we have selected a brand and certain of its products, we will initiate cooperation with the brand licensors who are entitled to grant us the exclusive licenses for the relevant brands and products. Since we have established a leading position and maintained a stellar reputation in brand management of perfumes in China through years of continuous operation. We primarily act as the exclusive distributor of our brand licensors in mainland China, Hong Kong and/or Macau, in which we obtain (i) exclusive license from the brand owners to manage their brands for specified products; or (ii) exclusive sub-license from the primary licensees of the brand owners to manage the brands involving certain specified products that they are licensed to produce and distribute. Our license from the brand owners or sub-license from the primary licensees generally specify the territories, products and/or sales channels in which our exclusive distribution may occur. In addition to directly obtaining licenses from the brand licensors, we have been exploring other cooperation modes with them for managing the brands. For instance, in 2023, we entered into a joint venture with, and became the exclusive licensee of, Dr. Babor, for its retail business in China. For details of our business relationship with brand licensors, please refer to the paragraph headed “— Suppliers — Brand Licensors” in this section. We maintain high standards on brand reputation and product quality. Before we cooperate with a new brand, our senior management team, which is led by our founder and chairman of the Board, Mr. Lau, examines the relevant products in its portfolio. In addition to on-site information we collect in-person, our senior management team may refer to, among others, brand recognition among industry players, industrial research reports issued by third-party professionals, views and opinions from well-regarded industry players and historical brand publicity, to form a holistic view of the target brands and relevant products.

Brand Building and Enhancement

We believe our ability to build and enhance the image of the global brands in mainland China, Hong Kong and Macau is one of the key reasons that the brand licensors appoint us as their licensee. Through our brand building and enhancement initiatives, we aim to educate the consumers to (i) cultivate their awareness and purchase desire for the products of new brands entering into mainland China, Hong Kong and Macau; and (ii) expand the market share of the brands and products which have already gained a foothold in mainland China, Hong Kong and Macau. Our brand building and enhancement efforts permeate our one-stop services for the brands we cooperate with, which primarily include market deployment and product procurement and distribution.

BUSINESS

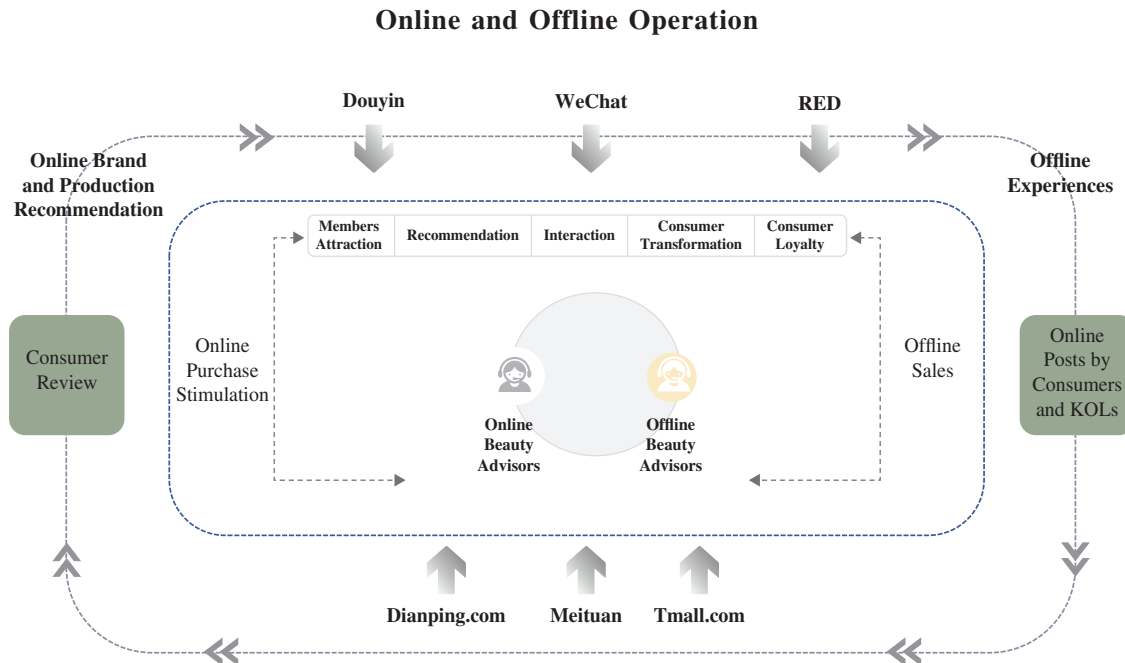
Market Deployment

Our market deployment efforts primarily include the following:

- ***Market and consumer analysis:*** We conduct market and consumer analysis before and during our management of the brands. The analysis begins as early as our brand and product selection process, during which we collect market information about the target brands and their competitors to form a view about the potential of the target brands. The analysis continues later in our entire management and operation of the brands and relevant products, during which we constantly collect and integrate sales data, consumer preferences data, trends of product development and CRM data through our e-Hub and the data supplied by third-party professionals to update our plans. For details of our e-Hub and big data analytics ability, please refer to the paragraph headed “— Information Technology System — Digital Strategy — Big Data Analytics” in this section.
- ***Formulation of business development and expansion plans:*** We prepare individualized business development and expansion plans for the brands we manage. The formulation of business development and expansion plans is a significant part of our business relationships with brand licensors. Our distribution agreements with brand licensors typically contain provisions to specify the process for confirming business development and expansion plans, which primarily include (i) marketing plans, which may set out, among others, how to build brand image and enhance brand exposure, how to appeal to target consumers and whether beauty advisors or other specialists should be involved; and (ii) distribution plans, which may stipulate, among other things, the types of distribution channels for the products and the relevant budget allocation. For details of our marketing plans and distribution plans, please refer to the paragraphs headed “— Sales and Distribution of Products — Channel Selection and Customized Distribution Plans” and “— Marketing and Promotion — Individualized Marketing Plans” in this section.
- ***Implementation of business development and expansion plans:*** We have in-house teams to implement the business development and expansion plans approved by our brand licensors, which mainly cover (i) the marketing of brands and their products, for which our in-house teams liaise with various marketing channels and arrange marketing and promotional campaigns for the brands and their products; and (ii) distribution of products, for which our in-house teams distribute the branded products through various sales channels we maintain. We generally do not charge brand licensors for any expenses we incur in connection with such implementation, except for expenses exceeding the planned budget agreed by the brand licensors and us.

BUSINESS

We implement marketing and distribution plans through our integrated online and offline operations, which leverages our existing omni-channel resources to continuously transform our marketing efforts into sales and distribution opportunities. The diagram below sets forth the details of our online and offline operation:



For further details of our marketing plans and activities, please see the paragraph headed “— Marketing and Promotion” in this section. In addition, for details of our distribution process, please refer to the paragraphs headed “— Our Business Model — Procurement and Distribution of Products” and “— Sales and Distribution of Products” in this section.

Product Procurement and Distribution

Under our cooperation with the brand licensors, we procure branded products from brand licensors and distribute such products to retailers, distributors and consumers through various channels, which primarily cover:

- Supply chain management:*** We procure products from the brand licensors according to our product procurement plans, which are formulated based on, among others, the sales forecast calculated using the information from each point of sales, historical sales amount, unsettled purchase orders and our existing inventory level. During our procurement process, we leverage our extensive experience and expertise in the international trade to ensure that the products we source are in compliance with applicable importation and customs requirements in China, including, among others, Measures for the Inspection, Supervision and Administration of Imported and Exported Cosmetics (《進出口化妝品檢驗檢疫監督管理辦法》), Regulations of the PRC on Import and Export Duties (《中華人民共和國進出口關稅條例》), Customs Law of the PRC (《中華人民共和國海關法》), Measures for the Administration of

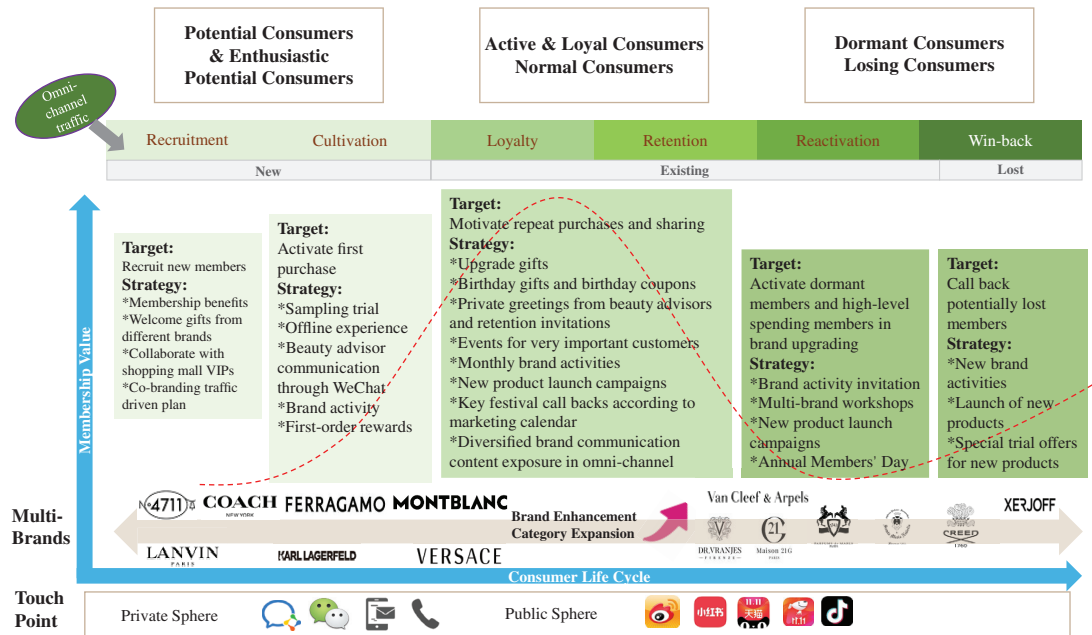
BUSINESS

Cosmetics Registration and Filing (《化妝品註冊備案管理辦法》) and Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》). We have designated in-house teams to apply for product registration, and arrange labelling and repacking according to the applicable laws and regulations in China. We maintain a digital SAP system to track our inventory status. It enables us to monitor the inventory levels and generates inventory reports on a real-time basis, which in turn helps us achieve optimal inventory levels and improve our working capital efficiency. The inventories are primarily stored at the warehouses leased from Independent Third Parties on a temporary basis until further logistics arrangements. In addition to leased warehouses, as of the Latest Practicable Date, we engaged a warehousing service provider that is an Independent Third Party, which provided warehousing and delivery services to us with respect to the products stored in its warehouse in Guangzhou. We primarily engage Independent Third-party logistics service providers to transport and deliver the products to our customers. For details of our supply chain management, please refer to the paragraphs headed “— Inventory Management” and “— Procurement, Warehouse and Logistics” in this section.

- ***Omni-channel sales and distribution:*** We maintain an extensive omni-channel sales and distribution network. Our sales channels cover almost all possible access to consumers for perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances in mainland China, Hong Kong and Macau, including (i) direct sales channels, in which we sell products to online and offline retailers, or directly to consumers through our self-operated online and offline stores or counters; and (ii) distribution channels, in which we sell products to online and offline distributors. For further details of our sales and distribution arrangements, please refer to the paragraph headed “— Sales and Distribution of Products” in this section. We also launched and operated one offline Perfume Box store in Shanghai, and three online Perfume Box stores on Tmall.com, WeChat Mall and RED Mall, as of the Latest Practicable Date. Perfume Box is our retailer brand that covers both offline and online sales channels. Under this retailer brand, we strive to create one-stop online and offline shopping spaces with multiple and diversified perfumes that consumers can experience and purchase. We plan to build this retailer brand into a signature brand of self-operated online and offline stores that can attract both artistic youths and novice perfume users. For further details of the Perfume Box, please refer to the sections headed “— Our Business Strategies — Enhance our consumer reach through continued investment in our self-operated retailer channels” and “— Sales and Distribution of Products — Direct Sales Channels — Self-operated Sales Channels — Perfume Box” in this section.
- ***Consumer relationship management:*** We closely manage our relations with consumers in order to continuously boost the image of the brands we manage and foster consumer loyalty. We have built a full-cycle consumer management program that covers the entire life cycle of consumers, starting from the novice users of branded products under our management, to highly loyal consumers, including

BUSINESS

repeat consumers. As of the Latest Practicable Date, our consumer management program had more than 2.0 million consumer members. In order to continuously stimulate consumers’ purchasing desire for the products we sell, we formulated customized strategies targeting consumers at each stage of the life cycle. The diagram below sets forth the details of this full-cycle consumer management program:



We plan to digitalize this consumer management program to make it more efficient and useful for our business expansion. For details of such digital transformation, please refer to the paragraph headed “— Our Business Strategies — Accelerate digital transformation to strengthen digital support to our full-cycle consumer management program” in this section.

BRANDS AND PRODUCTS

We primarily manage global brands of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. The products we sell are primarily procured from the brand licensors that are mainly based in Europe, Japan and the United States. As of the Latest Practicable Date, our external brand portfolio consisted of 63 brands. In our extensive brand portfolio, we managed 48 brands that offer perfumes, 16 brands that offer skincare products, eight brands that offer color cosmetics, 11 brands that offer personal care products, five brands that offer eyewear, and 16 brands that offer home fragrances as of the same date. Certain of the brands we manage offer more than one category of products during the Track Record Period. In addition, we cooperate with business partners to develop our self-owned brand, Santa Monica, which offers both perfumes and eyewear. We engage external manufacturers to produce the Santa Monica-branded products on an OEM basis.

BUSINESS

The table below sets forth a breakdown of our revenue by product category for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Perfumes ⁽¹⁾	1,495,512	89.3	1,504,184	88.5	1,523,737	81.7
Skincare products	73,223	4.4	87,136	5.1	114,355	6.1
Color cosmetics.	64,633	3.9	67,932	4.0	193,008	10.4
Eyewear	3,686	0.2	7,679	0.5	21,458	1.2
Others ⁽²⁾	37,600	2.2	32,213	1.9	11,203	0.6
Total	<u>1,674,654</u>	<u>100.0</u>	<u>1,699,144</u>	<u>100.0</u>	<u>1,863,761</u>	<u>100.0</u>

Notes:

- (1) The revenue generated from our sales of personal care products and home fragrances was recorded under “perfumes” during the Track Record Period, because some of the perfume brands we manage also offered personal care products and home fragrances, and the amount of revenue generated from our sales of these products was insignificant during the Track Record Period.
- (2) During the Track Record Period, we operated and managed the daily operation of the online and offline stores of certain of our customers under their brand names, and charged a service fee in connection therewith. Others mainly include the service income derived from the charges arising from such agency services.

Product Portfolio of External Brands

Perfumes

We are one of the leaders in China’s perfume industry. Over the years, we continuously supported the growth and expanded the footprint of numerous global perfume brands in China. We manage a diverse portfolio of perfume products from a number of well-known global brands. The perfumes we manage and sell cover a wide variety of price levels, including entry-prestige perfumes, prestige perfumes and luxury perfumes. Depending on the nature of the manufacturers, the perfumes we sell can also be categorized into (i) designer perfumes (商業香水), which are generally produced by top fashion designers and usually have branded scents; and (ii) niche perfumes (沙龍香水), which are mainly produced by independent perfume houses. As of the Latest Practicable Date, we offered perfumes sourced from 48 external brands.

BUSINESS

The following table sets forth our portfolio of major brands of perfumes in alphabetical order:

Key Brand(s)	Major Products		
ACCA KAPPA <i>dal 1869</i>			
	White Moss (白苔)		
			
	24 Old Bond Street (24號老邦德街)	Rose in Wonderland (玫瑰夢境)	Mint & Tonic (無根之水)
			
	Pour Femme (女士香水)	Pour Homme (男士香水)	
<i>Chopard</i>			
	Jasmin Moghol (莫高爾茉莉)	Love Chopard (愛在蕭邦)	
			
	Coach the Fragrance (紐約女士)	New York for Men (紐約男士)	

BUSINESS

Key Brand(s)

Major Products



Aventus (拿破侖之水)



Silver Mountain Water (銀色山泉)



Royal Exclusives White Flowers (絕色名伶)



Favolosa (茉莉沁柚)



Irresistibile (黛紫蒼蘭)



Lesedi La Rona I (我們的光I)



Lesedi La Rona III (我們的光III)



Floral (杏花春雨)



I Want Choo (耀我)



Encre Noire (墨戀)



Soleil (沐日晨光)



Eclat d'Arpège (光韻)



Marry Me (我願意)

BUSINESS

Key Brand(s)

Major Products



MCM (恩思恩經典香水)



Le Solstice
(雪羽鳶尾)



La Cordee
(雪岳之茶)



Explorer (探尋旅者)



Signature (純白印記)



Legend (傳奇)



Toy 2 (熊二代)



Toy 2 Bubble Gum
(泡泡熊)



Signorina (伊人女士)



Tuscan Creations
Convivio (托斯卡
納傑作饗宴)

BUSINESS

Key Brand(s)

Major Products

TOUS



Baby
(桃絲寶貝)



TOUS Pink Friends
(粉紅寶貝)

Van Cleef & Arpels
HAUTE PARFUMERIE



Moonlight Patchouli
(月光廣藿香)



California Reverie
(加州美夢)



Santal Blanc (月光白雪檀香)

VERSACE



Pour Homme
(同名男士)



Bright Crystal
(粉耀晶鑽)



Dylan Purple (落日夢曲)

N°4711



Acqua Colonia Blood
Orange & Basil
(紅橙羅勒)



Acqua Colonia Peach
& Coriander (白桃
芫荽)



Acqua Colonia Peony
& Sandalwood
(牡丹檀香)

BUSINESS

Skincare Products

In 1987, we started to manage skincare brand in China. We have been managing a high-end Japanese skincare brand, Albion, in Hong Kong since 2014. In 2023, we entered into a joint venture with, and became the exclusive licensee of, Dr. Babor, for its retail business in China. Dr. Babor is a high-end skincare brand headquartered in Germany whose products are normally distributed only through beauty salons before we became its exclusive local operator for designated products in China.

The following table sets forth our portfolio of major brands of skincare products in alphabetical order:

Key Brand(s)	Major Products		
BABOR			
	<p>HSR Lifting Anti-Wrinkle Eye Cream (HSR提升抗皺眼霜)</p>	<p>Hydra Plus Ampoules (Hydra Plus透明質酸瑩潤安瓶)</p>	<p>Lifting Cellular Collagen Boost Infusion (精緻修顏活力精華液)</p>
ALBION			
	<p>Skin Conditioner Essential N (健康化妝水 N)</p>	<p>Infinesse Derma Pump Milk S (賦活彈力緊緻滲透乳 S)</p>	
ultrasun Professional Protection			
	<p>Face SPF 30 PA+++ (護顏防曬乳SPF30)</p>	<p>Face Fluid Brightening & Anti Pollution SPF 50+ PA++++ (隔離多效亮膚防曬乳 SPF50+)</p>	<p>Face SPF 50+ PA++++ (護顏防曬乳SPF50+)</p>







BUSINESS

As of the Latest Practicable Date, we primarily offered cleansers, moisturizers, essence, cream, face masks, lotion and eye cream sourced from 16 external brands.

Color Cosmetics

We manage selected color cosmetics brands with promising growth potential. As of the Latest Practicable Date, we were the exclusive distributor for certain color cosmetics products from Laura Mercier in mainland China and Hong Kong and Elegance in Hong Kong.

The following table sets forth our portfolio of major brands of color cosmetics:

Key Brand(s)	Major Products		
			
	La Poudre Haute Nuance Luxueuse (極緻定妝蜜粉餅)		
			
	Translucent Loose Setting Powder (煥 顏清誘蜜粉)	Translucent Loose Setting Powder Rose (煥顏清誘蜜 粉)	Blush Color Infusion Chai (活力煥彩腮 紅蜜桃赤茶)

As of the Latest Practicable Date, we primarily offered foundation, lip sticks, blushes and eye shadow sourced from eight external brands.

Personal Care Products

A number of brands under our management that offer perfumes also offer personal care products. To expand our sales in personal care products, in January 2024, we started to manage Acca Kappa, a world-class Italian personal care brand featuring traditional Italian hand-made techniques, in mainland China.

BUSINESS






The following table sets forth our portfolio of major brand of personal care products:

Key Brand(s)	Major Products	
		
	<p>White Moss Shower Gel (白苔沐浴露)</p>	<p>Looped Nylon Beechwood Oval Brush (尼龍環形山毛櫸木舒柔按摩髮刷)</p>

As of the Latest Practicable Date, we primarily offered body and hair products, toothpaste, combs and toothbrushes sourced from 11 external brands.

Eyewear

We started to manage eyewear brands in 1987. The following table sets forth our portfolio of major brands in eyewear:

Key Brand(s)	Major Products			
				
	<p>Paper-Thin Series</p>	<p>Titanium Series</p>	<p>R 1000 Series</p>	<p>Conquer the Sun Series</p>

As of the Latest Practicable Date, we primarily offered spectacles and sunglasses sourced from five external brands.

BUSINESS

Home Fragrances

Drawing upon our success and experience in managing perfume brands, we successfully expanded into home fragrances market. In 2023, we also introduced a world-renowned home fragrances brand, Dr. Vranjes Firenze, into China by opening its first Chinese flagship store in Shanghai. We are the exclusive distributor of this brand’s designated products for all sales channels in PRC.

The following table sets forth our portfolio of major brands of home fragrances:

Key Brand(s)	Major Products		
 <p>ATKINSONS LONDON 1799</p>	 <p>Soho Garden Candle (蘇豪花園蠟燭)</p>	 <p>A Walk in the Cotswolds Candle (漫步科茨沃爾德香 氛蠟燭)</p>	 <p>Blueberry Muffin Candle (藍莓麥芬香 氛蠟燭)</p>
 <p>DR.VRANJES — FIRENZE —</p>	 <p>Rosso Nobile Vase Glass Bottle Collection Fragrance (紅酒貴族無火藤條 香薰)</p>	 <p>Oud Nobile Vase Glass Bottle Collection Fragrance (烏木貴族 無火藤條香薰)</p>	 <p>Rosso Nobile Candle (紅酒貴族香薰蠟燭 碧璽色)</p>

As of the Latest Practicable Date, we primarily offered scented candles, diffuser and home fragrance pendant sourced from 16 brands.

Product Portfolio of Our Self-owned Brand

In addition to the external brands we manage, we also manage our self-owned brand, Santa Monica. During the Track Record Period and up to the Latest Practicable Date, we provided perfumes and eyewear under our Santa Monica brand. For the years ended March 31, 2022, 2023 and 2024, revenue generated from products of Santa Monica amounted to approximately RMB1.0 million, RMB5.3 million and RMB17.0 million, respectively, which accounted for 0.1%, 0.3% and 0.9% of our revenue, respectively, for the same years.

BUSINESS

In 2022, we launched five perfumes under our Santa Monica brand, which were generally considered to be entry prestige perfumes. We also offer miniature perfume packages to reach young consumers. In 1999, we began to offer eyewear under the Santa Monica brand. As of the Latest Practicable Date, we offered three categories of eyewear under the Santa Monica brand — S series, M series and K series — to meet varied demands of consumers of different ages and genders. Our S series eyewear has a premium market positioning with a traditional design. Our M series eyewear are minimalistic and innovative in design, with mid-level prices. Our K series eyewear are designed for children and teenagers and thus, are typically colorful and durable. Under our Santa Monica eyewear, we aim to provide cost-effective products that integrate technological innovation and aesthetic design, contributing to a stylish and relaxed lifestyle of our consumers.

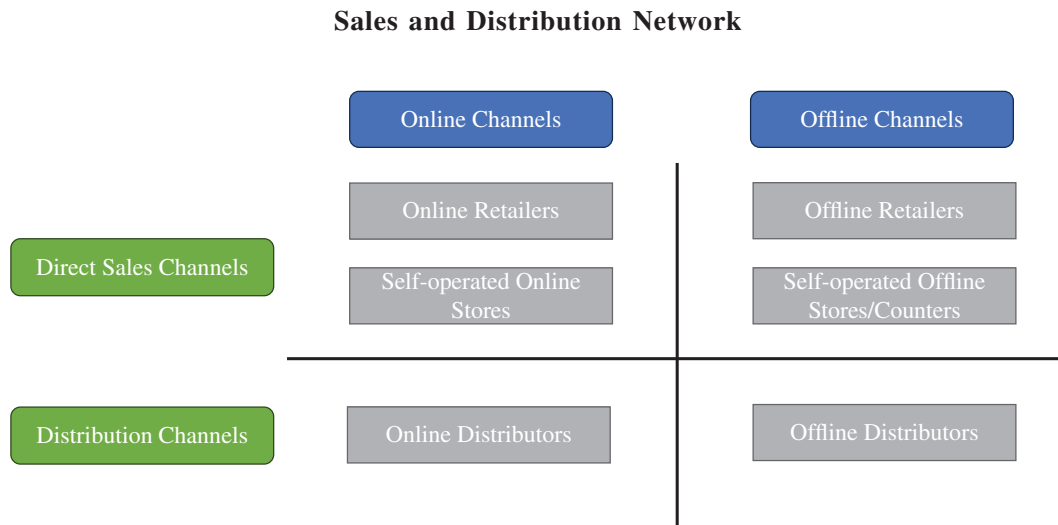
The following table sets forth our portfolio of major products of Santa Monica eyewear and perfumes:

<u>Product Category</u>	<u>Major Products</u>			
Eyewear	 S Series (S系列)	 M Series (M系列)	 K Series (K系列)	 Sunglasses
Perfumes	 My Sunshine (大都會)	 Forest Dream (林間清幽)	 Morning Rose (清晨玫瑰)	
	 Zen of Tea (幽靜茶雨)	 Sea of Flower (浪漫花都)		

BUSINESS

SALES AND DISTRIBUTION OF PRODUCTS

We have an extensive omni-channel sales and distribution network with high penetration in both offline and online channels. Through our omni-channel network, we established a wide coverage of POSs in mainland China, Hong Kong and Macau, which enables the brands we manage to connect with consumers. The diagram below sets forth the matrix of our omni-channel sales and distribution network:

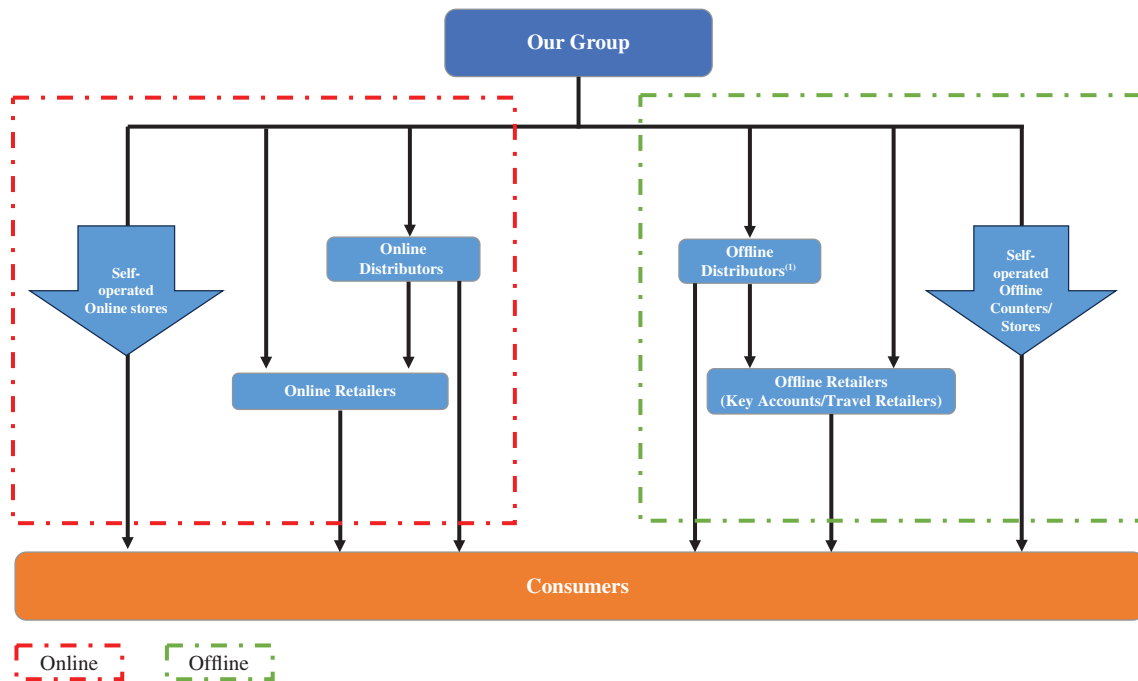


As of the Latest Practicable Date, we maintained a well-balanced online and offline sales network. We maintained and will continue to maintain such structure in the future, because we believe our diversified offline and online channels play equally significant roles in our business. In offline channels, consumers can gain hands-on experience with the actual products, enjoy the décor in the shopping space that showcase the brand image and build personal relationship with in-store beauty advisors and sales personnel. We believe these experiences can positively influence the purchasing decisions of consumers, especially for perfumes, which can only be experienced olfactorily in an offline setting. Online channels are also significant as they offer multiple benefits to consumers, including convenient and fast shopping experiences and wider selection of products in one stop. In addition, we can draw a more holistic picture of the latest market trends and consumer preferences based on the data we collected from both offline and online channels, allowing us to formulate more precise sales and marketing strategies for different brands.

BUSINESS

Our sales and distribution network generally consists of direct sales channels, which include retailer channels and self-operated channels, and distributor channels. We sell branded products to distributors, retailers and consumers through this sales and distribution network to optimize its coverage. Retailers typically purchase products from us and on-sell them directly to consumers, while distributors purchase products from us and primarily distribute them to retailers, but may directly sell products to consumers. The diagram below sets forth the flow of our sales of branded products:

Flow of Sales



BUSINESS

The following table sets forth a breakdown of our revenue by sales channels for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct sales channels						
• Retailer channels	784,809	46.9	761,140	44.8	844,749	45.3
— Online retailers ⁽¹⁾	371,815	22.2	356,427	21.0	327,627	17.6
— Offline retailers	412,994	24.7	404,713	23.8	517,122	27.7
a. Key accounts ⁽²⁾	354,647	21.2	315,656	18.6	380,481	20.4
b. Travel retailers ⁽³⁾	58,347	3.5	89,057	5.2	136,641	7.3
• Self-operated channels	382,501	22.8	338,617	19.9	447,330	24.0
— Online stores ⁽⁴⁾	167,052	10.0	123,786	7.3	126,144	6.8
— Offline counters/ stores	215,449	12.9	214,831	12.6	321,186	17.2
Subtotal	<u>1,167,310</u>	<u>69.7</u>	<u>1,099,757</u>	<u>64.7</u>	<u>1,292,079</u>	<u>69.3</u>
Distribution channels⁽⁵⁾						
• Online distributors	255,988	15.3	254,832	15.0	216,322	11.6
• Offline distributors	213,756	12.8	312,342	18.4	344,157	18.5
Subtotal	<u>469,744</u>	<u>28.1</u>	<u>567,174</u>	<u>33.4</u>	<u>560,479</u>	<u>30.1</u>
Others ⁽⁶⁾	37,600	2.2	32,213	1.9	11,203	0.6
Total	<u>1,674,654</u>	<u>100.0</u>	<u>1,699,144</u>	<u>100.0</u>	<u>1,863,761</u>	<u>100.0</u>

Notes:

- (1) The information was prepared by our finance team based on the sales agreements with the online retailer customers to the extent available or internal records prepared by our sales team and reviewed by our finance team.
- (2) The information was prepared by our finance team based on the sales agreements with the key accounts customers to the extent available or internal records prepared by our sales team and reviewed by our finance team.
- (3) The information was prepared by our finance team based on the sales agreements with the travel retailer customers.
- (4) The information was prepared by our finance team based on the internal records prepared by our sales team and reviewed by our finance team.
- (5) The information was prepared by our finance team based on the distribution agreements with the distributors to the extent available or internal records prepared by our sales team and reviewed by our finance team.
- (6) During the Track Record Period, we operated and managed the daily operation of the online and offline stores of certain of our customers under their brand names, and charged a service fee in connection therewith. Others primarily include service income derived from the charges arising from such agency services.

BUSINESS

During the Track Record Period, we entered into consignment agreements with certain online and offline retailers, primarily for products sold to certain retailer customers at their request and for certain sales of eyewear. We made such consignment arrangements primarily due to the market practice in the eyewear industry or our negotiation and business arrangements with the respective retailer customers, as the case may be. Under such arrangements, we, as consignor, provide the goods to the relevant retailers, as consignees, to be sold to their customers on our behalf. We retain ownership of the goods until they are sold by the consignees, despite the relevant retailers’ possession of the goods during the sales process. Revenue generated from the consignment arrangements with these retailers amounted to RMB16.2 million, RMB13.7 million and RMB20.5 million for the years ended March 31, 2022, 2023 and 2024, which accounted for approximately 1.0%, 0.8% and 1.1% of our total revenue for same years, respectively. For the years ended March 31, 2022, 2023 and 2024, we entered into consignment arrangements with 13, 15 and 25 retailers, respectively.

Channel Selection and Individualized Distribution Plans

As part of our brand building and enhancement initiatives for the brands we manage, we formulate and implement business development and expansion plans for the brands, which include distribution plans. In general, we will prepare a business development and expansion plan for each brand licensor and submit it to the brand licensor for approval. In such plan, we provide specific measures on, among others, enhancing brand exposure, expanding ideal sales channels, and achieving higher sales *vis-à-vis* the competing brands based on our analysis of the target markets. We may select one or more pillar products of the brand to present to the market for the year which has the potential to serve as the growth engine and the driving force for consumer acquisition. We may also meet with the relevant personnel of the brand licensors periodically (usually once a year) to review the implementation of these plans, in which we present the performance and results of our implementation of the plans to the brand licensors, including sales revenue by different channels, the changes in the relevant POSs and the representative counter displays of the brands and products during the year.

We sell and distribute the products according to the individualized distribution plans. In choosing suitable sales and distribution channels, we primarily consider which channel(s) will be in the best position to help reach the target consumers for the relevant brands and products.

Direct Sales Channels

Our direct sales channels consist of (i) retailer channels, which are the retailers that purchase products from us and directly on-sell them to consumers, including online retailers and offline retailers, which include key accounts and travel retailers; and (ii) self-operated sales channels, which are online stores we operate on e-commerce and social media platforms and offline stores/counters we operate in shopping malls and department stores to sell products directly to consumers.

BUSINESS

Retailer Channels

Online Retailers

Online retailers are retailers that purchase products from us and directly sell them to consumers through online platforms. During the Track Record Period, online retailers to which we sold products primarily included e-commerce platforms and retailers that sell products through their online stores on these platforms. For the years ended March 31, 2022, 2023 and 2024, we sold products to one, three and three e-commerce platforms, respectively, and 56, 72 and 73 online retailers, respectively. Among these online retailers are third-party companies that represent KOLs, whom we cooperate with to promote the branded products we sell across multiple social media and e-commerce platforms, such as Douyin, RED and Tmall.com. These KOLs include celebrities, official accounts of institutions (公众号) and other KOLs with various popularity levels. For the years ended March 31, 2022, 2023 and 2024, we sold products to two, four and five such third-party companies, respectively. These companies also provide marketing services to us. For details of our promotional activities on social media platforms and through KOLs, see the paragraph headed “— Marketing and Promotion” in this section.

Key Accounts

Our key accounts are generally chained cosmetics specialty stores in mainland China, Hong Kong and Macau. As of March 31, 2024, the POSs of key accounts that sold the products purchased from us were located in more than 300 cities in mainland China, Hong Kong and Macau. As of each of March 31, 2022, 2023 and 2024, the products we sold to key accounts customers were subsequently sold to their customers at more than 6,000 POSs, respectively, in mainland China, Hong Kong and Macau.

Travel Retailers

The travel retailers to which we sell products primarily include airports, airlines, cruises and downtown duty-free shops. As of March 31, 2024, the POSs of travel retailers that sold the products purchased from us were located in 57 cities in mainland China, Hong Kong and Macau. As of March 31, 2022, 2023 and 2024, the products we sold to travel retailer customers were subsequently sold to their customers at 200, 183 and 319 POSs, respectively.

Self-operated Sales Channels

Online Stores

We operate online stores on various e-commerce platforms and social media platforms, including Tmall.com, Tmall.hk (天貓國際), JD.com, JD.hk (京東國際), RED, Douyin and WeChat (微信). During the Track Record Period, we primarily operated online stores under the brand names of the products we sold. Before major shopping festivals in China, we identify new target consumers on Tmall.com and JD.com based on our big data analysis, which we conducted periodically to guide the desired online traffic of consumers to the products we promote and sell during these festivals. As of March 31, 2024, we operated online stores on 11 e-commerce platforms and social media platforms. As of March 31, 2022, 2023 and 2024, we operated 24, 26 and 33 online stores, respectively.

BUSINESS

Offline Stores/Counters

We operate offline stores/counters in shopping malls and department stores, which primarily include (i) brand boutique stores (品牌精品店), which are standalone stores that offer selected products of a single brand we manage; (ii) multi-brand counters (綜合品牌專櫃), which are counters that offer selected products from multiple brands we manage. They are usually decorated under a unified approach of the shopping malls or department stores in which they are located; and (iii) image counters (形象櫃), which are counters that offer selected products from a single brand we manage. They are usually decorated according to the features and positioning of the brand. From time to time and in connection with specific promotional activities, we also launch (i) temp stores (臨時店), which are temporary stores that we usually open for less than a year; and (ii) pop-up stores (快閃店), which are temporary stores that we usually open for less than half year.

During the Track Record Period, we typically enter into concession agreements or lease agreements with shopping malls and departments stores for opening and operating our self-operated offline stores and counters.

The terms of our concession agreements with shopping malls and department stores typically are one year or more. Under these agreements, we shall pay a monthly concession fee to the shopping malls or department stores calculated based on, among others, the prospective revenue to be generated by the store/counter and the site area of the store/counter. Under these agreements, we are generally required to pay deposits to the shopping malls or department stores, which are refundable after a specified period from the opening date of the stores or counters under the concession agreements. We may also be required to pay a maintenance fee, utilities and other applicable expenses generated by the operation of these stores and counters to the shopping malls and department stores. Payments from the sales of products at the stores and counters under concession agreements are typically collected by the respective shopping malls and department stores. They are then required to transfer an agreed portion of the monthly sales proceeds to us, from which the concession fees and other expenses payable by us shall be deducted. Under certain agreements, the shopping malls and department stores are entitled to terminate these agreements if the respective stores or counters fail to meet specified operation targets.

During the Track Record Period, the terms of our lease agreements with shopping malls and department stores typically are one year or more. Under the lease agreements, we lease the spaces for operating our stores/counters typically at a rent consisting of (i) the base rent as specified under the relevant lease agreements; and (ii) a percentage of the monthly revenue generated by the stores or counters. Under these lease agreements, we may be required to pay deposits to the shopping malls or department stores, which are refundable after a period from the opening date of the stores or counters under the concession agreements. We may also be required to pay a maintenance fee, utilities and other applicable expenses generated by the operation of these stores and counters to the shopping malls and department stores.

As of March 31, 2024, our self-operated offline stores/counters were located in over 20 cities in mainland China, Hong Kong and Macau. As of March 31, 2022, 2023 and 2024, we operated 102, 92 and 87 offline stores/counters, respectively, in mainland China, Hong Kong and Macau. The number of our offline stores/counters decreased during the Track Record Period primarily because our management team closed the underperformed offline stores/counters.

BUSINESS

Perfume Box

Perfume Box is our self-operated retailer brand that covers both online stores and offline sales channels. We primarily sell perfumes and fragrance-related products directly to consumers at our Perfume Box stores. As of March 31, 2024, we operated one Perfume Box store in Shanghai K11 Art Mall, which is the first “art-themed mall” in mainland China providing artistic and aesthetic enjoyment to consumers in the shopping space. As of the same date, we also operated three online Perfume Box stores on Tmall.com, WeChat Mall and RED Mall. During the Track Record Period, we sold over 2,000 products in terms of SKU from over 50 brands at our online and offline Perfume Box stores, which were primarily perfumes that come in different sizes as to make them more appealing and attractive to young consumers.

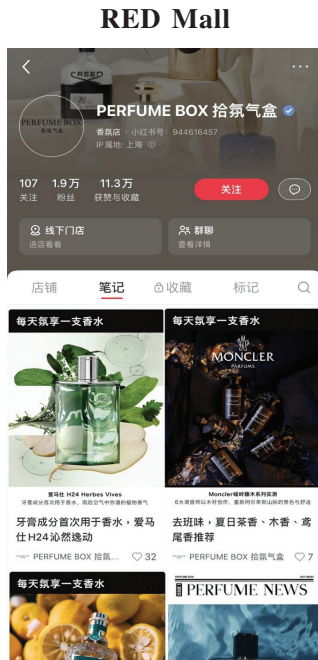
We plan to build Perfume Box into a signature retailer brand for online and offline stores that can (i) attract artistic youths, who are young consumers that tend to express their personalities and aesthetic tastes in the products they use; and (ii) educate novice perfume users, thereby cultivating them into loyal and frequent consumers of the perfumes we sell. To attract artistic youths, we designed the store front of the offline Perfume Box stores and the interfaces of the online Perfume Box stores to be artistic and innovative while combining features that are both trendy and niche among young consumers. The photos and screenshots below demonstrate the offline store front and online stores interfaces of Perfume Box:

Offline Perfume Box Store — Shanghai K11 Art Mall



BUSINESS

Online Perfume Box Stores



BUSINESS

We also actively seek other marketing opportunities to expand the exposure of Perfume Box, including (i) participating in the promotional events of the shopping malls where our offline Perfume Box stores are located to gain exposure and attract new customers; (ii) collaborating with non-perfume brands to develop crossover theme events, driving the consumer traffic of these players to Perfume Box; and (iii) inviting celebrities to promote or endorse perfumes sold at Perfume Box.

Expansion Plans

We endeavor to open new self-operated offline Perfume Box stores in the first tier, new first tier and second tier cities in China. For the years ending March 31, 2025, 2026, 2027 and 2028, we expect to open approximately 10, 20, 40 and 40 such new Perfume Box stores, including approximately three flagship stores in the year ending March 31, 2025 and approximately five flagship stores in the year ending March 31, 2026. The remaining stores shall be regular stores. We anticipate that the flagship stores will command approximately 100 sq.m. of store space, while regular stores will command approximately 40 sq.m. to 60 sq.m. of store space. In general, we will identify and select top-tier shopping malls and/or department stores where our new Perfume Box stores will be located. As of the Latest Practicable Date, we operated one Perfume Box store in Shanghai, and were in the process of opening three new Perfume Box stores in Shenzhen and Kunming.

In addition, we plan to open new self-operated offline stores and counters as part of our network expansion strategy. Specifically, in the next four years, we intend to open a total of approximately 100 new self-operated offline stores/counters for the brands we manage in first tier, new first tier and second tier cities in mainland China, Hong Kong and/or Macau. A significant majority of these offline stores/counters will be opened in mainland China, with the remaining offline stores/counters to be opened in Hong Kong and/or Macau. We will have a balanced mix of new self-operated stores/counters for our existing brands under management and new brands we intend to cooperate with. These new self-operated offline stores/counters will command approximately 40 sq.m. to 60 sq.m. of store space. In general, we will identify and select top-tier shopping malls and/or department stores where our new self-operated offline stores/counters will be located. Since April 1, 2024 and up to the Latest Practicable Date, we have opened 12 new self-operated offline stores/counters.

See the paragraph headed “— Our Business Strategies — Enhance our consumer reach through continued investment in our self-operated retailer channels” for further details on expansion plans for our self-operated offline Perfume Box stores.

(i) Breakeven Period and Investment Payback Period Analysis

Based on our experience, the respective length of the breakeven period (defined as the time needed to reach first point in time at which a store’s monthly operating revenue is at least equal to its monthly operating expenses such as costs of goods sold, rent, staff costs, depreciation expenses related to the store and taxes, the “Breakeven Period”) and investment payback period (defined as the time needed to reach the first point in time at which the

BUSINESS

accumulated net profit of the store is at least equal to the costs of opening and operating the stores, the “Investment Payback Period”) is generally dependent upon the prevailing market conditions, the economic environment, the size and location of the relevant store, the estimated consumer flow, rent and other payables to the facility owners, the type and variety of products available for sale in a particular store, operating performance, operating cost and initial investment cost of a particular retail store. Therefore, the period for reaching the Breakeven Period or the Investment Payback Period varies substantially from store to store and over time.

For the purpose of calculating the Breakeven Period and Investment Payback Period, we used similar estimated capital expenditures on our self-operated offline Perfume Box stores and self-operated offline stores/counters, including rental expenses and salaries and benefits of employees. Accordingly, we currently expect that the Breakeven Period for our new offline Perfume Box stores will be at least approximately nine months, and the Investment Payback Period for these stores and counters will be at least approximately 2.5 years.

This information is prepared on the basis of our current expansion plans and our management’s present expectation, which are subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion plans will not deviate from our current expansion plans. Our management will consider making various adjustments to our business plans, including but not limited to, delaying or suspending our expansion plans and increasing our debt and/or equity financing when our working capital or business performance may be materially and adversely affected. In the event of material change in circumstances or our business plans, to comply with Rule 13.09 of the Listing Rules, we will make announcements as and when appropriate if our business might be materially or adversely affected. All information relating to the Breakeven Period and Investment Payback Period is for reference and illustration purposes only.

(ii) New Store/Counter Opening Process

Our new store/counter opening process, which starts from planning and ends with store/counter opening, generally requires six months to one year to complete. It primarily consists of: (i) identifying and approving the store/counter location by our management; (ii) approving the location by our brand licensors; (iii) conducting preliminary analysis of profit and loss; (iv) entering into the lease agreement with the lessor; (v) engaging professionals for the interior design; (vi) obtaining all requisite licenses and permits; and (vii) recruiting store managers, beauty advisors and other staff, conducting new staff training and completing other pre-opening preparations.

BUSINESS

Distribution Channels

Overview

During the Track Record Period and up to the Latest Practicable Date, we sold a number of products through distributors. Our distributors include online distributors and offline distributors, which purchase products from us and primarily resell them to online retailers and offline retailers, respectively. Some of these distributors also sell products directly to consumers. During the Track Record Period, the offline retailers to which our offline distributors distributed products primarily included cosmetic specialty stores. For the years ended March 31, 2022, 2023 and 2024, revenue generated from the sales of products to our distributors amounted to RMB469.7 million, RMB567.2 million and RMB560.5 million, accounting for approximately 28.1%, 33.4% and 30.1% of our total revenue for the same years, respectively. Revenue from our distributors is recognized when the control of the products is transferred.

We sell the products through distributors primarily because:

- Selling products through distributors is a common practice in the industries where we operate. The cooperation with distributors provides a number of benefits to us in certain local markets where we have not yet established direct presence via subsidiaries or branches, so as to maximize our market penetration and exposures to expand the scale of our operations. For example, distributors have extensive sales network and a deeper understanding of the local market trends and consumers’ preferences in the areas where they operate, which can facilitate the penetration of the products we sell. They can also provide on-site sales support and aftersales services to consumers in various local markets.
- Selling products through distributors limits our exposures to the risks of developing some of the local markets by ourselves directly. It helps us in being more effective in our resource allocation to selling and distribution, thereby improving our operational and financial performance.

We generally only allow distributors to return defective products. We require our distributors to make return requests for defective products within a certain period of time from the date of delivery, which generally range from five to 30 days. After the return request is made, our relevant staff will review such request, including photos of the defective products, to verify that they indeed meet the requirements for return. Upon verification, our staff will guide the distributors to return the defective products to designated warehouses and check the returned products. Once the returned products are confirmed to be properly returned to the warehouse and indeed defective, we will arrange refund or exchange of products according to the preference of the distributors. For details of our overall product return and refund policies, see the paragraph headed “— Customers — Customer Services, Warranty and Product Replacement/Return Policy” in this section.

BUSINESS

The following table sets forth the changes in the number of distributors for the financial years indicated:

	As of/for the year ended March 31,		
	2022	2023	2024
Online distributors			
Number at the beginning of the period .	33	47	47
Increase ⁽¹⁾	25	7	18
Decrease ⁽²⁾	(11)	(7)	(14)
At the end of the year	<u>47</u>	<u>47</u>	<u>51</u>
Offline distributors			
Number at the beginning of the period .	31	39	43
Increase ⁽¹⁾	11	15	15
Decrease ⁽²⁾	(3)	(11)	(11)
At the end of the year	<u>39</u>	<u>43</u>	<u>47</u>

Notes:

- (1) The increase of distributors represented the number of distributors which transacted with us during the present year, but did not transact with us in the previous year.
- (2) The decrease of distributor represented the number of distributors which transacted with us in the previous year, but did not transact with us during the present year.

The number of our online distributors increased from 47 as of March 31, 2023 to 51 as of March 31, 2024, mainly because we began to sell additional skincare products and color cosmetics and expanded our distributor network to facilitate our business expansion. In addition, the number of offline distributors increased during the Track Record Period primarily as a result of our offline business expansion.

We had no material dispute with our distributors during the Track Record Period and up to the Latest Practicable Date. To the best knowledge of our Directors, all of our distributors were Independent Third Parties during the Track Record Period.

Selection and Management of Distributors

When selecting potential distributors, we primarily consider (i) their coverage of distribution network in the local markets where we sell or plan to sell the products; (ii) their distribution ability and scale; (iii) their experience in the industries in which we operate; (iv) whether the types and brand images of the products which they historically distributed conform to the positioning of the products we currently sell; (v) their operating history and credibility; and (vi) their growth potential.

BUSINESS

Measures to Prevent Channel Stuffing

We believe that our sales correspond to the actual consumer demands and our products are at a low risk of channel stuffing in our sales and distribution network, primarily because (i) we generally require full payment before delivering products to our distributors; (ii) we generally do not allow returns of products sold to distributors, except for products that are defective; and (iii) we generally maintain a seller-buyer relationship with our distributors, under which we typically do not set minimum purchase requirements to specify the amount of products that the distributors are obligated to purchase from us, nor minimum sales targets to specify the amount of products that the distributors are obligated to sell.

Despite the low risk in channel stuffing due to the above factors, we have adopted measures to prevent channel stuffing in our sales and distribution network, which primarily include the following:

- (i) We provide product catalogs to distributors for them to consider whether the products suit their target customers before they place purchase orders with us, with an aim to minimize unsaleable or slow-moving products.
- (ii) When establishing relationships with new distributors, we prioritize selling products to those that agree to pay us in full before product delivery.
- (iii) We seek to optimize our marketing and sales plans on an ongoing basis to adapt to the changing market trends based on the market intelligence we collected through our e-Hub.
- (iv) In the event that we discover that any distributors have engaged in practices or taken any action that could give rise to any material and adverse impact on our business and operations, we may impose penalties, including the suspension of product supply from us or the termination of our business relationships with them.

Measures to Prevent Cannibalization

To prevent cannibalization of sales among our distributors, as of the Latest Practicable Date, we had adopted the following strategies:

- (i) We limit geographical regions or online platforms for our distributors where they are permitted to sell relevant branded products under the distribution agreements.
- (ii) We have implemented a standardized recommended pricing mechanism for the same products sold to various distributors so as to minimize the possibility of price wars among distributors, and have designated staff who regularly track the retail prices of the products at the POSs.
- (iii) We generally require our distributors to promote, market and sell the relevant branded products in particular methods as agreed by us and we require them to only purchase the specified products from us.

BUSINESS

- (iv) In the event that we discover that any distributors have engaged in practices or taken any action that could give rise to any material and adverse impact on our business and operations, we may impose penalties, including the suspension of product supply from us or the termination of our business relationships with them.

Contracts with Distributors

As of the Latest Practicable Date, we had entered into distribution agreements with distributors representing a majority of our revenue generated from the distributors for the year ended March 31, 2024, which typically contained the following principal terms:

- *Duration:* The duration of the agreements is usually one year.
- *Renewal:* The agreements are typically renewable upon mutual consent of the parties.
- *Distribution channels:* We generally limit the distribution channel in which the distributors are allowed to distribute the products. They are not permitted to sell the products outside the designated distribution channels. The online distributors and offline distributors are generally only allowed to resell the products to online retailers and offline retailers, respectively, and/or to consumers directly.
- *Minimum purchase requirements:* We generally do not require our distributors to make minimum purchases.
- *Minimum sales targets:* We typically do not set minimum sales targets to specify the amount of products that the distributors are contractually obligated to sell. We may provide retrospective sales rebates to our distributors once the total value of the products purchased from us during the period exceeds a pre-set target specified in the relevant agreements.
- *Pricing policy:* We have the right to determine the selling price of products we supply to distributors and the recommended retail price at which distributors sell such products to consumers.
- *Payment and credit terms:* In general, we shall arrange to deliver products to the distributors only after all relevant payments have been settled in advance. Accordingly, we generally do not extend credit to our distributors.
- *Return arrangements:* The online distributors are generally required to inspect the products upon delivery, while the offline distributors shall inspect the products within a specific period of time from the date of delivery, which usually amount to five days. Any return request made after the agreed time will generally be rejected. We usually only accept the return request for defective products.
- *Termination:* The agreements can be terminated by either party with prior written notice or for cause.

BUSINESS

With respect to certain distributors that make purchases from us on an ad hoc basis, we have transacted and we will continue to transact with them by way of purchase orders. By retaining full discretion to cease supplying products to any of our distributors, whether or not they have entered into a distribution agreement with us, we believe we have been able to ensure that our distributors do not sell the products we supply to them in a manner, or take any action that could give rise to any material and adverse impact on us.

On the basis of the foregoing, the Directors are of the view that, during the Track Record Period and up to the Latest Practicable Date, to the best of their knowledge, the measures and controls in place had been effective in ensuring that our distributors did not cause any material and adverse impact to our business and operations as a whole. See the sections headed “Risk Factors — Risks Relating to Our Business and Industry — Our control over our distributors could be limited” and “Risk Factors — Risks Relating to Our Business and Industry — Our failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, distributors, suppliers or other third parties may have a material adverse effect on our business” in this document for more details.

MARKETING AND PROMOTION

As a brand management company, marketing and promotion activities are crucial to our success. Our brand team (品牌組), consisting of approximately 84 staff members as of the Latest Practicable Date, is responsible for coordinating our marketing activities and maintaining collaborative relationship with brand licensors. We also form specialized teams to provide more bespoke and effective marketing and promotional campaigns for important brands. As of the Latest Practicable Date, we employed 76 marketing personnel, which are primarily responsible for liaising with our various teams and departments for marketing activities. In addition, we have a digital marketing team, which mainly utilizes digital resources and the market data we collected through e-Hub, and liaises with our other departments and teams to conduct marketing activities. For details of our digital marketing team, please refer to the paragraph headed “— Information Technology System — Digital Strategy — Digital Marketing Team” in this section.

Individualized Marketing Plans

As part of the brand building and enhancement initiatives we undertake for the brands we manage, we formulate and implement business development and expansion plans for brands, which include modular marketing plans that meet the personalized demands of the brand licensors. Under these plans, we choose the ideal marketing channels for the brands, including, among others, social media platforms, online store banners on e-commerce platforms, authoritative media such as newspapers and magazines, face-to-face consumer events, exhibitions in shopping malls and roadshows. When choosing these channels, we primarily consider the which channel(s) will be in the best position to help reach the target consumers for the relevant brands and products we sell.

BUSINESS

We incur expenses arising from the implementation of the marketing plans and record them under our selling and marketing expenses. The specific budget allocations vary from brand to brand. However, for each brand licensor, we are generally required under the distribution agreements to spend a portion of the revenue we derived from the sales of the relevant products on their advertising and promotion. In general, we will be reimbursed by the brand licensors for the fees that exceed our agreed budget with brand licensors. For the years ended March 31, 2022, 2023 and 2024, our advertising and promotion expenses amounted to RMB210.1 million, RMB113.5 million and RMB80.3 million, accounting for approximately 12.5%, 6.7% and 4.3% of our total revenue, respectively.

Our promotion and selling arrangements on social media platforms depend on their operation modes, which vary from one platform to another. For instance, from 2020 to 2021, Douyin was primarily a promotion platform where internet live streamers promote products and provide links to purchase of such products in the comments threads, leading audiences to separate e-commerce platforms to complete their purchases. Therefore, under this operation mode, Douyin was used as one of our promotional platforms rather than a selling and distribution channel, where we simply arrange to add our links to the relevant internet live-streamers’ pages. Since 2021, when Douyin started to have online shops, we began to sell products in our self-operated stores and the stores of certain internet live-streamers, making Douyin both a marketing platform and a sales platform for us. In addition to cooperating with social media platforms, we also engage a number of KOLs, who are represented by companies with which we contractually cooperate, to promote products on the social media platforms where they operate. These KOLs primarily include internet live-streamers on Douyin and Kuaishou, as well as lifestyle influencers on RED. We primarily enter into marketing services agreements with the companies representing these KOLs, pursuant to which they provide marketing and distribution services to us, including promoting and selling the products through the KOLs they represent.

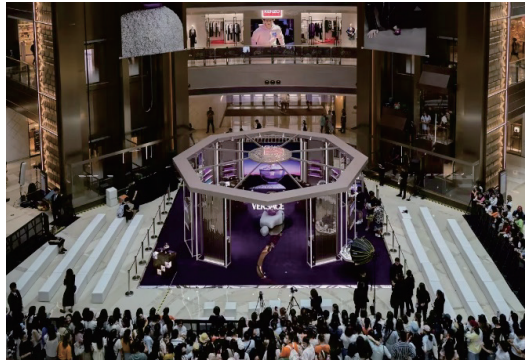
Marketing and Promotional Campaigns

We strive to fully utilize our online and offline resources to improve the market awareness and sales of branded products under our management. We participated in Jingzhuang Dapai (京妝大牌) in 2022, a promotional campaign held by JD.com, during which our promotional efforts prompted the search ranking of a luxury brand under our management on a major e-commerce platform in mainland China. We also launched a mega event with a beach house theme for a skin conditioner of Albion in 2022, during which we “repromoted” this product to boost its awareness among consumers. In the same year, we cooperated with a top streamer of Taobao, to promote Coach perfumes in its live streaming, during which the total gross merchandise volume amounted to more than RMB1.5 million. In 2023, we initiated cooperation with over 1,000 KOLs on Douyin and on RED, which conducted a total of over 2,000 live streaming promotions for products under our management. In 2024, we invited media and industry players to attend a dinner for announcing the new product launch of Ferragamo in West Bund Museum in Shanghai City to preheat the launch of new products.

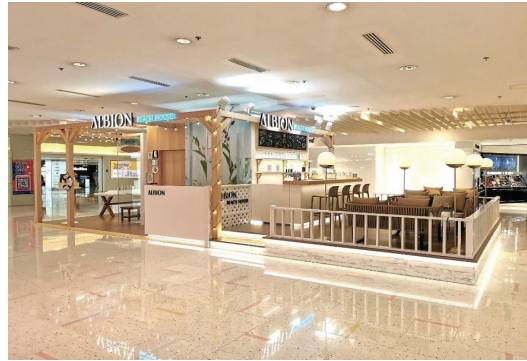
The following photos captures the marketing and promotional events we organized during the Track Record Period.

BUSINESS

Versace Mega Event



Albion Mega Event



In addition to the marketing and promotional campaigns for brands and products, we have been actively organizing and participating in industry-wide activities that we believe can help us achieve industry-wide recognition. Beginning in 2020, we jointly published the “China Perfume Industry Research White Paper” with an Independent Third-party industry consultant annually. For details of our China Perfume Industry Research White Paper, please refer to the paragraph headed “Our Competitive Strengths — We are the largest brand management company in the combined perfumes market in mainland China, Hong Kong and Macau”. Below is a photo that captured the launch conference for China Perfume industry Research White Paper in 2023.

2023 Launch Conference for China Perfume Industry Research White Paper



BUSINESS

PROCUREMENT, WAREHOUSE AND LOGISTICS

Procurement Process

We formulate product procurement plans based on, among others, the sales forecast calculated using the information from each point of sales, historical sales amount, unsettled purchase orders and our inventory level. Once the procurement plans are approved by the management team, we place orders with the suppliers accordingly, including brand licensors for branded products. We typically place orders for products based on our stock planning for the next three to four months. The suppliers then issue invoices to us and, upon receipt of our confirmation, coordinate with us to arrange transportation of the products to our designated locations. The delivery of products from our suppliers to our designated locations usually takes two to four weeks for transportation by air, and two to five months for transportation by sea. Generally, we make payments to suppliers after product delivery or the issue of invoices, and we have a credit period of 60 days to 120 days from the date of product delivery or issue of invoices, as the case may be.

As we primarily procure products from Europe, Japan and the U.S., our procurement process typically involves importation and customs clearance. Our designated in-house teams strive to ensure that the imported products are in compliance with applicable laws and regulations, which primarily include (i) product registration, for which we guide the brand licensors to prepare the relevant documents, and submit them to the local authorities in China for the purpose of obtaining the product licenses; (ii) labelling, for which we make arrangements to attach labels to the imported products in the format and with the specifications required by local laws and regulations; and (iii) packing, for which we make arrangements to ensure that the packages of the imported products will be in compliance with local laws and regulations, and ready for subsequent transportation.

Warehousing and Logistics

As of March 31, 2024, the products which we have completed the importation process for but not yet sold were primarily stored in warehouses leased from Independent Third Parties. As of the same date, we also engaged a warehousing service provider that is an Independent Third Party, which provided relevant warehouse, delivery and other ancillary services to us with respect to the products stored in its warehouse in Guangzhou. In addition to these warehouses, we may lease temporary warehouses to satisfy our unexpected needs from time to time.

Products are typically delivered within one to seven days to the designated locations of our customers after we receive their orders. We primarily engage independent third-party logistics service providers for the delivery of the products to customers through land transportation. As of March 31, 2024, we engaged 10 third-party logistics service providers.

BUSINESS

The long-term agreements we entered into with our third-party services providers for warehousing and/or logistics contained the following principle terms:

- *Duration:* The duration of the agreements usually ranges from one to three years. Some agreements may automatically renew annually until terminated by either party or the parties entered into a new agreement for similar matters.
- *Service fees:* Calculated monthly according to the fee schedules set out in the agreements.
- *Credit and payment terms:* Payments are settled monthly. We are generally granted a credit term up to 30 days from the due date of payment.
- *Liability and compensation:* The service provider assumes liability for damages and losses incurred during transportation, unless caused by our fault or force majeure.
- *Termination:* Generally, the agreements can be terminated prior to expiration of term by either party via prior notice or for cause.

For the years ended March 31, 2022, 2023 and 2024, our warehousing and logistics expenses amounted to RMB13.4 million, RMB12.1 million and RMB12.3 million, respectively.

INVENTORY MANAGEMENT

In order to minimize our inventory carrying costs and preserve our working capital, we strive to maintain optimal inventory levels. Our inventory primarily consists of finished products purchased from third-party brand licensors. As of March 31, 2022, 2023 and 2024, our balance of inventories amounted to RMB417.8 million, RMB357.6 million and RMB390.3 million, respectively. For the same years, our average inventory turnover was 159.2 days, 179.2 days and 160.7 days, respectively.

To maintain appropriate inventory level while avoiding product shortages, we classify the products we sell into four major categories: (i) A type, which mainly comprise products with the highest sales amount in the past three months; (ii) B type, which generally represents products with lower sales amount in the past three months; (iii) C type, which includes products with the lowest sales amount in the past three months; and (iv) N type, which contains products that were either not sold or were sold for the first time within 90 days. We make procurement plans based on this product categorization to ensure sufficient stock of the products with higher historical sales amount. We keep track of the changes in sales volume and adjust the products categorization accordingly.

We maintain a digital SAP system to track of our inventory as part of inventory management. Such SAP system enables us to manage different aspects of our inventory, including (i) procurement agreements and orders, as well as order settlements; (ii) transfer of inventory; (iii) orders placed by our customers and the relevant delivery process; and (iv) movement of inventories in our warehouses. This system enables us to monitor our inventory level and can generate inventory reports on a real-time basis, which in turn helps us maintain optimal inventory level and improve our working capital efficiency.

BUSINESS

PRICING STRATEGY

We set our prices after considering numerous factors, including the indicative retail prices determined in discussion with the brand licensors. Such recommended retail prices are determined by taking into consideration, among others, (i) our forecasted costs and expenses for advertisement, promotion and distribution channels; (ii) our anticipated profit margin; and (iii) the procurement prices of the products.

The following table sets forth the range for the recommended retail prices by product category at which we sell to our customers during the Track Record Period:

<u>Product Category</u>	<u>Recommended Retail Price Range</u>
	<i>RMB</i>
Perfumes ⁽¹⁾	30 to 60,000
Skincare products	30 to 15,000
Color cosmetics	15 to 6,600
Eyewear	190 to 2,600

Note:

- (1) The recommended retail prices of perfumes include those of our personal care products and home fragrances, because some of the perfume brands we managed during the Track Record Period also offered personal care products and/or home fragrances.

We typically sell the products to online and offline distributors and retailers at a discount from the recommended retail prices, which is determined based on, among others, the negotiation with the distributors or retailers, the historical discounts we provided and the discount level for similar products in the market.

We may provide retrospective sales rebates to our retailer and distributor customers once the quantity of products purchased during the period exceeds a threshold specified in our agreements with them. The sales rebates will be set off by products only. For the years ended March 31, 2022, 2023 and 2024, the amounts of sales rebates we provided were RMB18.1 million, RMB20.7 million and RMB25.3 million, respectively.

We have adopted multiple approaches to track the final retail prices of products sold to consumers, including, among others, (i) requiring retailers to periodically report sales data to us, which includes actual retail prices of the products they sold; (ii) collecting actual retail prices through our e-Hub; (iii) designating specialized in-house staff to constantly track the actual retail prices of the products we sold.

BUSINESS

CUSTOMERS

We sell products to (i) direct sales customers, who are online retailers, offline retailers and consumers; and (ii) distributors. To the best knowledge of our Directors, during the Track Record Period, all of our five largest customers were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these customers during the Track Record Period and up to the Latest Practicable Date.

For the years ended March 31, 2022, 2023 and 2024, revenue generated from our five largest customers amounted to approximately RMB395.3 million, RMB371.3 million and RMB364.2 million, accounting for approximately 23.6%, 21.9% and 19.5%, respectively, of our total revenue, respectively, for the same years. For the years ended March 31, 2022, 2023 and 2024, revenue generated from our largest customer amounted to approximately RMB106.9 million, RMB96.1 million and RMB102.9 million, accounting for approximately 6.4%, 5.7% and 5.5% of our total revenue, for the same years.

The following table sets forth the details of our top five customers during the Track Record Period:

For the Year Ended March 31, 2022

Rank	Customer	Principal Business	Location	Types of Products Sold	Primary Payment Method	Year of Commencement of Business Relationship	Typical Credit Term	Amount of Revenue	As Percentage of Our Total Revenue
							Days	RMB'000	%
1 . . .	Customer A	A distributor of various types of products	Mainland China	Perfumes	Bank transfer	2020	Cash before delivery	106,888	6.4
2 . . .	Customer B	A multinational retailer	Mainland China and Hong Kong	Perfumes and other cosmetics products	Bank transfer	2013	30 days from invoice date	96,612	5.8
3 . . .	Customer C	A retailer of various types of products	Mainland China and Singapore	Perfumes, skincare products and other cosmetics products	Bank transfer	2018	50 days from invoice date	92,600	5.5
4 . . .	Customer D	A distributor of various types of products	Hong Kong	Perfumes	Bank transfer	2016	60 days from invoice date	52,270	3.1
5 . . .	Customer E	A distributor of various types of products	Mainland China	Perfumes	Bank transfer	Before 2012	Cash before delivery	46,944	2.8
Total .								<u>395,314</u>	<u>23.6</u>

BUSINESS

For the Year Ended March 31, 2023

Rank	Customer	Principal Business	Location	Types of Products Sold	Primary Payment Method	Year of Commencement of Business Relationship	Typical Credit Term <i>Days</i>	Amount of Revenue <i>RMB'000</i>	As Percentage of Our Total Revenue <i>%</i>
1 . . .	Customer C	A retailer of various types of products	Mainland China, Singapore	Perfumes, skincare products and other cosmetics products	Bank transfer	2018	50 days from invoice date	96,122	5.7
2 . . .	Customer A	A distributor of various types of products	Mainland China	Perfumes	Bank transfer	2020	Cash before delivery	76,140	4.5
3 . . .	Customer F	A travel retailer	Hong Kong	Perfumes, skincare products and other cosmetics products	Bank transfer	2014	60 days from invoice date	69,458	4.1
4 . . .	Customer G	A distributor of perfumes and other cosmetics products	Hong Kong	Perfumes, skincare products and other cosmetics products	Bank transfer	2015	60 days from invoice date	66,988	3.9
5 . . .	Customer B	A distributor of various types of products	Mainland China, Hong Kong	Perfumes and other cosmetic products	Bank transfer	2013	30 days from invoice date	62,555	3.7
Total								<u>371,263</u>	<u>21.9</u>

BUSINESS

For the Year Ended March 31, 2024

Rank	Customer	Principal Business	Location	Types of Products Sold	Primary Payment Method	Year of Commencement of Business Relationship	Typical Credit Term <i>Days</i>	Amount of Revenue <i>RMB'000</i>	As Percentage of Our Total Revenue <i>%</i>
1 . . .	Customer F	A travel retailer	Hong Kong	Perfumes, skincare products and other cosmetics products	Bank transfer	2014	60 days from invoice date	102,858	5.5
2 . . .	Customer C	A retailer of various types of products	Mainland China and Singapore	Perfumes, skincare products and other cosmetics products	Bank transfer	2018	50 days from invoice date	76,967	4.1
3 . . .	Customer H	A multinational retailer	Mainland China and Hong Kong	Perfumes and skincare products	Bank transfer	2010	30 days from invoice date	62,953	3.4
4 . . .	Customer A	A distributor of various types of products	Mainland China	Perfumes	Bank transfer	2020	Cash before delivery	61,721	3.3
5 . . .	Customer I	A distributor of various types of products	Hong Kong	Perfumes	Bank transfer	2021	Cash before delivery	59,726	3.2
Total								364,225	19.5

BUSINESS

Customer Services, Warranty and Product Replacement/Return Policy

The products we sell to retailers and distributors are subject to the return and exchange requirements under the relevant agreements and/or our internal policies. In general, the retailers and distributors shall inspect the products within a specific period of time from the date of delivery, which usually ranges from five to 30 days. Any return request made after the agreed time will generally be rejected. We usually only accept the returns for defective products. However, we have special product return policies for a small number of our key accounts, under which we may (i) allow them to return the slow-moving products to us under agreed terms and conditions; or (ii) in certain limited circumstances, allow them to unconditionally return a small percentage of the total purchases each year. The slow-moving products typically refer to the products for which the key accounts could not meet their sales target for certain period of time, generally ranging from two to six months. Revenue generated from the key accounts which enjoy such special product return policies accounted for 7.7%, 5.5% and 6.3% of our total revenue for the years ended March 31, 2022, 2023 and 2024, respectively. The total value of the products returned by these key accounts for reasons other than being defective amounted to RMB4.7 million, RMB6.9 million and RMB5.9 million for the years ended March 31, 2022, 2023 and 2024, respectively. Both our Directors and the Frost & Sullivan are of the view that the above product return policy is in line with the general market practice in the industries where we operate.

In terms of consumers to whom we directly sell the products, we usually do not allow return or exchange of products once they are purchased. However, some of the shopping malls, department stores and e-commerce platforms where we sold products to consumers may have certain return and exchange policies that apply to all the sales made through them, and we generally follow their policies. For instance, Tmall maintains a policy that allows consumers to return or exchange the products for no reasons within seven days from the date of purchase, as long as the products being returned or exchanged are not damaged by the consumers.

For the years ended March 31, 2022, 2023 and 2024, our product returns amounted to RMB10.4 million, RMB9.7 million and RMB10.4 million, representing 0.6%, 0.6% and 0.6% of our total revenue, respectively, for the same years. The main reasons for product return include broken packages, defective substances and damaged components.

For retailers and distributors, we provide customer services in accordance with the requirements as specified in the relevant agreements, our internal policies and/or market practice. For consumers to whom we directly sell the products, we provide customer services, including guidance on the use of products, product return and product exchange, according to our internal policies and industry practice. When we receive a complaint from a consumer, our customer service department will review the complaint and provide solutions based on the issues at hand, which include guidance on the use of products, and product return or exchange. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material complaint or product liability or other legal claims from our customers due to quality issues of the products we sold.

BUSINESS

Contracts with Retailers

The long-term agreements we entered into with the retailers during the Track Record Period typically contained the following key terms:

- *Duration:* The duration of the agreements usually ranges from one year to an undetermined period of time until either party terminates the agreements or enter into a new agreement to replace the existing one.
- *Renewal:* If the agreements provided an initial term, they can generally be automatically renewed or are renewable by mutual consent until terminated by either party via prior written notice.
- *Minimum purchase requirements:* We generally do not set any minimum purchase requirements.
- *Sales and performance targets:* We typically do not set sales and performance targets to specify the amount of products that retailers are contractually obligated to sell to consumers. We may provide retrospective sales rebates to our retailers once the total value of the products purchased from us during the period exceeds a pre-set target specified in the relevant agreements.
- *Pricing policy:* We sell the products to retailers at price levels that have been mutually agreed.
- *Payment and credit terms:* If the agreements are not under the consignment arrangements, they may provide that (i) the retailers shall make payment to us within a specific period of time from the date of invoice, which generally ranges from 30 to 60 days; or (ii) we shall arrange to deliver products to retailers only after the relevant payments have been settled. If the agreements are under the consignment arrangements, the retailers typically provide sales data to us monthly, based on which we shall issue an invoice to the retailers for payment. Retailers then make payment to us within a specific period of time from the date of invoice, which generally ranges from five to 60 days.
- *Return arrangements:* The retailers shall inspect the products within a specific period of time from the date of delivery, which generally ranges from five to 90 days. Any return request made after the agreed time will generally be rejected. We usually only accept the return request for defective products. In addition, under the consignment arrangements, the retailers may return unsold products to us upon the termination of the agreements, provided that the returned products are not defective or otherwise unable to be resold.
- *Termination:* The agreements can be terminated by either party with prior written notice or for cause.

BUSINESS

For details of the long-term agreements we entered into with our distributors during the Track Record Period, please refer to the paragraph headed “— Sales and Distribution of Products — Distribution Channels — Contracts with Distributors” in this section.

SUPPLIERS

Overview

During the Track Record Period, we procured branded products from brand licensors.

For the years ended March 31, 2022, 2023 and 2024, the purchases from our five largest suppliers amounted to approximately RMB810.7 million, RMB698.1 million and RMB771.5 million, accounting for approximately 85.1%, 84.0%, and 81.6%, respectively, of our total purchase for the same years. For the years ended March 31, 2022, 2023 and 2024, the purchases from our largest supplier amounted to approximately RMB307.4 million, RMB230.4 million and RMB373.4 million, accounting for approximately 32.3%, 27.7% and 39.5% of our total purchase, for the same years. During the Track Record Period, all of our five largest suppliers were Independent Third Parties, and none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these suppliers during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth details of our top five suppliers during the Track Record Period:

For the Year Ended March 31, 2022

Rank	Supplier	Principal Business	Location	Primary Payment Method	Year of Commencement of Business Relationship	Typical Credit Term <i>Days</i>	Transaction Amount <i>RMB'000</i>	As Percentage of Our Total Purchases <i>%</i>
1. . . .	EuroItalia	A manufacturer and distributor of perfumes and beauty products	Italy	Telegraphic transfer	2007	90 days from the date of bill of lading	307,410	32.3
2. . . .	InterParfums	A manufacturer and distributor of perfumes and other cosmetics products	France and United States	Telegraphic transfer	1992	90-120 days from the invoice date	214,282	22.5
3. . . .	Supplier A	A brand owner of the brands of various luxury products, including perfumes	Italy	Telegraphic transfer	2016	90 days from the invoice date	196,529	20.6
4. . . .	Hermes Parfums	A brand owners of the brands of various luxury products, including perfumes	Mainland China and France	Bank transfer	2005	45-90 days from the invoice date	71,197	7.5
5. . . .	Supplier B	A consumer goods company	Mainland China and Japan	Bank transfer	2021	Cash before delivery	21,261	2.2
Total . .							810,679	85.1

BUSINESS

For the Year Ended March 31, 2023

Rank	Supplier	Principal Business	Location	Primary Payment Method	Year of Commencement of Business Relationship	Typical Credit Term <i>Days</i>	Transaction Amount <i>RMB'000</i>	As Percentage of Our Total Purchases <i>%</i>
1. . . .	EuroItalia	A manufacturer and distributor of perfumes and beauty products	Italy	Telegraphic transfer	2007	90 days from the date of bill of lading	230,368	27.7
2. . . .	InterParfums	A manufacturer and distributor of perfumes and other cosmetics products	France and United States	Telegraphic transfer	1992	90-120 days from the invoice date	210,126	25.3
3. . . .	Supplier A	A brand owner of the brands of various luxury products, including perfumes	Italy	Telegraphic transfer	2016	90 days from the invoice date	164,491	19.8
4. . . .	Hermes Parfums	A brand owner of brands of various luxury products, including perfumes	Mainland China and France	Bank transfer	2005	45-90 days from the invoice date	61,430	7.4
5. . . .	Albion Co., Ltd.	A brand owner of the brands of cosmetics products	Mainland China and Japan	Telegraphic transfer	2013	90 days of the date of bill of lading	31,693	3.8
Total . .							<u>698,108</u>	<u>84.0</u>

BUSINESS

For the Year Ended March 31, 2024

Rank	Supplier	Principal Business	Location	Primary Payment Method	Year of Commencement of Business Relationship	Typical Credit Term <i>Days</i>	Transaction Amount <i>RMB'000</i>	As Percentage of Our Total Purchases <i>%</i>
1. . . .	EuroItalia	A manufacturers and distributor of beauty perfumes and products	Italy	Telegraphic transfer	2007	90 days from the date of bill of lading	373,433	39.5
2. . . .	InterParfums	A manufacturer and distributor of perfumes and other cosmetics products	France and United States	Telegraphic transfer	1992	90-120 days from the invoice date	225,225	23.8
3. . . .	Hermes Parfums	A brand owner of brands of various luxury products, including perfumes	Mainland China and France	Bank transfer	2005	45-90 days from the invoice date	81,764	8.6
4. . . .	Bareminerals Ar Wires & Ac	A brand owner of brands of color cosmetics and skincare products	United States	Telegraphic transfer	2022	60 days from the invoice date	48,818	5.2
5. . . .	Fontaine Limited	A brand owner of brands of perfumes	France	Telegraphic transfer	2021	60 days from the invoice date	42,278	4.5
Total . .							<u>771,518</u>	<u>81.6</u>

BUSINESS

Brand Licensors

We primarily act as the exclusive distributor of our brand licensors in mainland China, Hong Kong and/or Macau, in which we obtain (i) exclusive license from the brand owners to manage their brands for specified products; or (ii) exclusive sub-license from the primary licensees of the brand owners to manage the brands involving certain specified products that they are licensed to produce and distribute. Our license from the brand owners or sub-license from the primary licensees generally specify the territories, products and/or sales channels in which our exclusive distribution may occur. For the years ended March 31, 2022, 2023 and 2024, a majority of our revenue was generated from sales made under exclusive licenses and sub-licenses.

In general, depending on the practice of each individual brand licensor, we may enter into a distribution agreement with such brand licensor, and/or it may issue an authorization letter to us, to appoint us as a distributor with the rights to promote and distribute the specified branded products in the designated region(s) through designated sales channels, and to deal with all matters relevant thereto. The authorization letters issued by the brand licensors to us typically provide the term of authorization, the types of products that we are authorized to distribute and the designated distribution territory.

Contracts with Brand Licensors

The distribution agreements we entered into with third-party brand licensors during the Track Record Period typically contained the following key terms:

- *Term of the distribution rights:* In general, the distribution agreements are initially valid and effective for three to five years, or an undetermined period of time until terminated by either the brand licensors or us through advance notice.
- *Renewal:* If the distribution agreements provided an initial term, prior to their expiry, they may be renewed through negotiation between the brand licensors and us. Some of the distribution agreements are automatically renewed upon expiry, unless terminated prior to the expiry according to relevant provisions under the distribution agreements.
- *Distribution territories and exclusivity:* We are generally authorized by the brand licensors to distribute specified products in mainland China, Hong Kong and/or Macau through specified sales channels. A significant number of the brand licensors appoint us as their exclusive distributor in the relevant territories, precluding the brand licensors from directly or indirectly selling specified products through the same sales channels in the same region.
- *Products to be distributed:* The products which we are authorized to distribute are specified in the distribution agreements.

BUSINESS

- *Price adjustment:* Some of the brand licensors are granted the right to adjust the prices of the products by prior notification to us. In general, orders placed by us prior to the notification of the brand licensors shall be processed at the terms and prices before such change.
- *Sales channels and requirements on the selection of distributors:* The distribution agreements may provide that we may distribute the products of the brand licensors only through certain types of sales channels/distributors or specified sales channels/distributors. In the event that we infringe such distributor selection criteria, some of the distribution agreements will entitle the brand licensor to terminate the distribution agreement by notice.
- *Minimum purchase amount and sales target:* The distribution agreements may contain provisions as to (i) the minimum amounts of purchase by our Group from the brand licensors within a specific period; and/or (ii) the minimum sales amount that our Group shall sell to customers within a specific period. In the event that we fail to meet the minimum purchase amounts or the minimum sales target, some of the distribution agreements provide that the brand licensors are entitled to terminate the distribution agreement by notice.
- *Payment:* The distribution agreements usually stipulate credit terms, payment currency and payment method. Our credit terms are generally 60 to 120 days from the date of invoice or delivery. Where the credit term, payment currency and/or payment method have not been stated in the distribution agreements, they may be specified by the brand licensors in the invoices or otherwise agreed between the brand licensors and us from time to time.
- *Termination:* The distribution agreements may be terminated by the brand licensors by prior written notice. In addition, in the event of insolvency of or material breach by one party, the other party is generally entitled to terminate the distribution agreements prematurely with or without notice. Some of the distribution agreements also grant brand licensors the right to terminate the distribution agreements if, among others, we carry out advertising activities in a way against the requirements under the distribution agreements, or we actively sell the products outside the designated territories.

Selection Criteria for Suppliers

We seek to identify, source and offer products under reputable international brands with high potential that are in alignment with our growth and development strategies. During the Track Record Period, we primarily procured high-quality perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances and from global brand licensors.

BUSINESS

Our Directors confirm that we did not encounter any major difficulties in finding suitable suppliers of products during the Track Record Period. Further, we did not have disputes with any suppliers that would have had a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

To minimize the risks associated with the potential shortage of supplies from the brand licensors, our sales teams monitor the supplies of products and timely update the sales plans to accommodate the demands of customers in the event that any possible shortage or delay of supplies occurs. During the Track Record Period, we had not experienced any material shortage or delay of supply.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

To the best knowledge and belief of our Directors, for the years ended March 31, 2022, 2023 and 2024, we sourced certain services from four, four and four, respectively, of our top five largest customers who were also our suppliers during the Track Record Period. In addition, for the same years, we sold products or provided services to two, two and nil, respectively, of our top five largest suppliers who were also our customers during the Track Record Period. As confirmed by our Directors, (i) negotiations of the terms of our sales to and purchases from the overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected with nor inter-conditional upon each other; and (ii) the major terms of transactions with this overlapping customer and supplier were similar to those with our other customers and suppliers and were in line with normal commercial terms. During the Track Record Period, we sold certain amount of perfumes to one of our top five suppliers that is a foreign company for the years ended March 31, 2022 and 2023, which we had previously procured from the same supplier. This was because a subsidiary of this supplier located in China procured the relevant perfumes from us during the Track Record Period, because our exclusive license to sell and distribute the relevant perfumes in China precluded this supplier itself from selling these perfumes in China, even to its subsidiaries. Except for this supplier, during the Track Record Period, the products we purchased from the overlapping customers and suppliers were not sold back to it, or *vice versa*. During the Track Record Period, the products we sold to these overlapping customers and suppliers primarily included perfumes, color cosmetics and skincare products, while these overlapping customers and suppliers primarily provided marketing and promotional services and/or logistics and warehousing services to us.

We have these overlapping customers and suppliers primarily because (i) we typically conduct marketing and promotional activities at the POSs of certain of our major customers, which may involve them providing relevant marketing and promotional services to us; (ii) one of our major customers is a group company with various subsidiaries covering multiple business segments, including logistics and warehousing services, which were provided to us during the Track Record Period; and (iii) we provided marketing and promotional services to certain of our major suppliers during the Track Record Period.

The table below sets forth the revenue and purchases attributable to these overlapping customers and suppliers during the Track Record Period:

	For the year ended March 31,		
	2022	2023	2024
Revenue (<i>RMB'000</i>)	351,416	320,959	304,499
Percentage of our total revenue (%) . . .	21.0	18.9	16.3
Purchase (<i>RMB'000</i>)	263,565	222,606	26,781
Percentage of our total purchase (%) . . .	27.7	26.8	2.8

BUSINESS

INFORMATION TECHNOLOGY SYSTEM

Digital Strategy

Digital Marketing Team

We believe China is a key social media market in the world, and it varies considerably from the rest of the world. To actively engage with and manage China’s social media market in the promotion of our products, we have formed a digital marketing team consisting of 70 to 80 staff members as of the Latest Practicable Date. The digital marketing team is primarily responsible for utilizing digital resources and the market data we collected through our e-Hub to, among others, analyze the market trends, make plans on key promotional activities for brands, explore the selling points of products, design and implement the marketing schedules and coordinate our media resources. The digital marketing team also liaises with our other departments and teams to conduct marketing activities.

Our digital marketing team made large contributions to our marketing success in the digital age. For instance, in 2023, when we were promoting Versace perfumes, our digital marketing team analyzed the female market for perfumes based on the data collected from e-commerce platforms and social media platforms. It discovered the selling point of unisex fragrances in the female perfumes market. The team thus designed a bespoke marketing plan for Versace’s perfume products that were expected to be launched, which revolves around building their images to be unisex fragrances. Our digital marketing team then implemented this marketing plan through, among others, initiating cooperation with the suitable KOLs who are ideal for building such product image. Our digital marketing team also continuously monitors the discussion on the internet with respect to the brands and products that we are promoting and selling, and make arrangements to guide the discussion to the direction that we desire and expand the discussion to reach more netizens, thereby continuously driving purchases of consumers.

Big Data Analytics

We have incorporated big data analytics in various aspects of our operations. We established our e-Hub, which is an integrated big data analytics team collecting and analyzing market data, including, among others, statistical data derived from sales data and trend of product development data. Our e-Hub have helped us gain insights to new opportunities in the market, potential of brands and products and our consumers’ behavioral pattern. We rely on the e-Hub to formulate the business development and expansion plans for the brands we manage. It allowed us to pinpoint the marketing strategies and sales and distribution channels in mainland China, Hong Kong and Macau that would unlock the potential of the brands we manage. We believe big data analytics can also help improve the services and products that we provide to our customers, analyze and ascertain changes in consumer trends, tastes and preferences, as well as conducting both targeted and general marketing campaigns and timely assessment of market trends, among other things.

BUSINESS

In the future, we expect to rely on our e-Hub to explore more investment and acquisition opportunities in align with our development strategies.

Cybersecurity and Customer Privacy Protection

We take cybersecurity matters seriously and are committed to safeguarding the privacy of our customers and their personal information. We safeguard our information technology system, which covers cybersecurity, data security and terminal security, using various technologies including encryption, anti-virus software and firewall. We continuously upgrade such technologies to enhance our information security management and implement strict measures to protect and secure confidentiality of customer/membership data. For example, we restrict access to customer/membership data to selected authorized staff who are provided with the relevant password. During the Track Record Period and up to the Latest Practicable Date, we did not experience any failure or breakdown of our information technology systems which resulted in a material adverse impact on our overall business operations.

Additionally, we have implemented certain policies and rules on customer data protection, such as operation standards for management of customers' information documents and operation standards for the management of computers and software. We have taken necessary measures such as promulgating rules on internal personal information protection among our employees to prevent the leakage of the customer data, and we have provided training to our employees to ensure they are aware of our internal policies in relation to customer data protection. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material customer data privacy breaches, leakages or disputes.

Our business operations involve the collection, use, storage, retention, transfer, disclosure and other processing of personal data. Our customers contact with us primarily via the following channels: (i) self-operated online stores on e-commerce platforms where we have a business presence; (ii) online WeChat mini-programs for membership clubs, WeChat official accounts and our official websites; and (iii) self-operated offline stores/counters, where customers are guided back into respective membership clubs.

With prior consent from our consumers or other applicable legal basis, we primarily collect the following types of consumer data: contact information, delivery addresses and purchase records. We collect their payment information as part of purchase records to complete the transactions when the consumers make purchases and provide membership loyalty benefits to them. The data collected from consumers will be securely stored and logically separated by brand in our CRM system that will help us gather consumer intelligence, guide consumer preferences and make timely assessments of market trends. Before we analyze the consumer data, our designated staff will limit the access to such information on a must-know basis.

BUSINESS

We collect and maintain consumers’ personal information in accordance with the relevant laws and regulations on data privacy and security in China. We have taken measures to maintain the confidentiality of such information to ensure regulatory compliance. Specifically, we have formulated a series of internal rules on personal information protection, which stipulates our obligations to clearly inform the consumer of the purpose, method, and scope of the information collection and use, and the channels for exercising their rights such as correction of information, deletion of information, etc., among other things, when collecting and using consumer personal information. We also formulated implementing documentations on personal information protection, such as those on data classification and personal information protection impact assessment. As advised by our legal advisor as to compliance with PRC laws and regulations with respect to cybersecurity and data protection (the “PRC Data Compliance Advisor”), we had complied with the applicable PRC laws and regulations with respect to data security and privacy protection during the Track Record Period and up to the Latest Practicable Date in all material aspects. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss, nor did we experience any material unauthorized use of consumer’s personal information.

To address the concerns brought by the recently promulgated laws and regulations on data privacy and security, we are taking a more prudent approach in business operation and can reduce our risk of exposure related to the implementation of these laws and regulations to a certain extent by the following measures:

- Paying close attention to the latest trends in regulatory development and maintain continuous communication with the relevant regulatory authorities;
- Enhancing and improving the data processing activities in accordance with the latest regulatory requirements;
- Continuously adopting security measures and internal control system to protect the customer data from the risks of data leakage, theft and destruction and illegal control, and make advanced preparations in light of the regulatory development;
- Training the staff who often directly interact with consumers to keep them abreast of the latest requirements for data privacy and security;
- Further improving the user agreement and privacy policy and other legal documents related to the collection and use of personal information;
- Continuously improving cybersecurity awareness in our future network development and deployment; and
- Conducting the applicable personal information protection impact assessment and other relevant assessments and make applicable regulatory filings to address security issues/concerns in data processing activities.

As of the Latest Practicable Date, we have not received any cybersecurity, data security or personal data protection related enquiries from any competent PRC regulatory authorities.

BUSINESS

As advised by our PRC Data Compliance Advisor, we had complied with the applicable PRC laws and regulations with respect to cybersecurity during the Track Record Period and up to the Latest Practicable Date in all material aspects. Given that legislation and law enforcement in the PRC on data privacy and cybersecurity are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

TRANSFER PRICING ARRANGEMENT

During the Track Record Period, there were a number of intra-group related party transactions within our Group, which primarily included the following:

- Guangzhou Huisheng Trading purchased certain finished products from Eternal Far East, who purchased from our overseas suppliers and sold the same to several of our PRC subsidiaries, which made the onward sales of the same products to our Independent Third-party customers. These products primarily included perfumes, skincare products and color cosmetics.
- Guangzhou Consulting purchased certain perfumes from Independent Third-party vendors, and sold the same to several of our PRC subsidiaries, which made the onward sales of the same products to our Independent Third-party customers.
- In addition, the related party service transactions also occurred among various members of our Group. During the Track Record Period, Eternal Shanghai Cosmetics provided sales and marketing support services to Eternal Far East and several of our other PRC subsidiaries.

Our Group has adopted transfer pricing arrangement among its members to regulate the above intra-group transactions. We have engaged an independent transfer pricing consultant (the “Independent Transfer Pricing Consultant”) to prepare the transfer pricing contemporaneous documentation local files or transfer pricing analysis reports (collectively, the “TP Reports”) for Eternal Far East, Guangzhou Huisheng Trading, Eternal Shanghai Cosmetics, Eternal Beijing Trading, Eternal Chengdu Trading, Eternal Guangzhou Trading and Shanghai Smiley, respectively (collectively, the “Tested Parties”), for all PRC taxable years during the Track Record Period with respect to our subsidiaries in mainland China and for the Track Record Period with respect to our subsidiaries in Hong Kong based on, among other things, the applicable regulations and guidance on transfer pricing in mainland China and Hong Kong.

Based on the TP Reports prepared by the Independent Transfer Pricing Consultant, it was advised by the Independent Transfer Pricing Consultant that the intra-group transactions for the Tested Parties were considered to be appropriate, in arms length and in compliance with the relevant transfer pricing regulations during the Track Record Period as such arrangements have been maintained since January 2024.

On this basis, our Directors, together with the Independent Transfer Pricing Consultant, are of the view that the above-mentioned transactions of our Group were in line with the arm’s length principle.

BUSINESS

To manage the transfer pricing risk on an ongoing basis, measures will be adopted by our Company on or before the [REDACTED] (i) to keep track of regulatory updates to ensure that our Group is complying with those transfer pricing rules and regulations; (ii) to review the transfer pricing arrangement regularly with reference to the latest benchmarking data; (iii) to document all relevant information properly to support the reasonableness and appropriateness of the transfer pricing arrangement; and (iv) to revisit transfer pricing arrangement if necessary (e.g. when there are any significant changes in the functional and risk profiles of corresponding entities).

Our Directors confirmed that they will continue to closely monitor the pricing arrangement for our intra-group transactions, including reviewing and ensuring the reasonableness and fairness of the pricing policy.

QUALITY CONTROL

We have a set of quality control measures for selecting suppliers and products to confirm the products sourced by us are of high quality, safe and suitable for consumption or use, and will fully comply with the relevant local laws and regulations. Our quality control measures can be described as follows:

- (i) Our supply chain team checks the quality of the products upon delivery of products from suppliers, and arrange returns or exchanges for the defective products;
- (ii) We review the purchase prices and overall product quality standards periodically; and
- (iii) All of our procurement plans will be reviewed by multiple teams responsible for, among others, supply chain management and finance, and finally approved by our chief operating officer for subsequent execution.

EMPLOYEES

As of the Latest Practicable Date, we had a total of 1,184 employees, among whom, 78 employees had obtained a master’s degree or above. As of the same date, 852 of our employees were located in mainland China and the remaining 332 were located in Hong Kong and Macau. The table below sets forth a breakdown of our employees by function as of the Latest Practicable Date.

<u>Function</u>	<u>Number of Employees</u>	<u>% of Total</u>
Sales	729	61.6%
Management and administration	144	12.2%
Supply chain	118	10.0%
Brand team	84	7.0%
Marketing	76	6.4%
Technology	33	2.8%
Total	<u>1,184</u>	<u>100.0%</u>

BUSINESS

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We aim to establish a collaborative work environment that encourages them to develop their career with us. In addition, we have an effective training system, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of our workforce, including our beauty advisors whose knowledge and understanding of the brands and products they represent are crucial for the attraction of new customers and the maintenance of existing customer relationships. Our orientation process covers subjects such as corporate culture and policies. Our periodic on-the-job training covers work ethics, environmental, health and safety management systems and mandatory training required by applicable laws and regulations.

To sustain our growth, we regularly review our capabilities and adjust our workforce to ensure we have the right mix of expertise to meet the demand for the products we sell. We offer employees competitive salaries, and performance-based cash bonuses. We believe that our reputation, work environment, training system, remuneration package and employee share incentive plan are advantageous that attract qualified candidates. During the Track Record Period, we adopted internet recruitment, social recruitment and internal referral by existing employees, among other recruitment approaches. Our recruiting process primarily consists of initial recruitment requests by the relevant teams and departments, the publication of recruitment requirements in the job market, interviews with candidates, candidate background research and recruitment approval by our management. When considering and selecting qualified employment candidates, we take into consideration their education background, work experience, relevant expertise and specific skills, as well as the demand for and the objectives of the vacant positions.

As required by the applicable laws and regulations in China, we participate in various employee social security plans for our employees that are administered by the local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted and plan to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

Our employees have not formed any employee union or association. We believe we maintain a cordial and fruitful working relationship with our employees, and we have not experienced any material labor disputes during the Track Record Period.

BUSINESS

INTELLECTUAL PROPERTY

Intellectual Property Rights Held by Our Group

Our intellectual property rights are key to our success and competitiveness, primarily consisting of trademarks, patents, software copyrights, works copyrights and domain names. As of the Latest Practicable Date, we had (i) 136 trademarks, including 123 trademarks registered in the PRC and 13 trademarks registered in Hong Kong; (ii) three patents registered in the PRC; (iii) one software copyright registered in the PRC; (iv) three works copyrights registered in the PRC; and (v) 31 domain names, including 22 domain names registered in the PRC and nine domain names registered in Hong Kong. See the section headed “Appendix IV — Statutory and General Information — C. Further Information about Our Business — 2. Material intellectual property rights of our Group” in this document for more information of our intellectual properties.

We rely, in some circumstances, on trade secrets and/or confidential information to protect certain aspects of the technologies we utilize. We seek to protect our proprietary technologies and processes, in part, by entering into confidentiality arrangements with senior management and key staff. Despite the measures we have taken to protect our intellectual property, our proprietary information may be obtained by unauthorized parties.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of our intellectual properties or any material disputes or claims against us in relation to the infringement of intellectual properties of third parties arising from our business. Please see the section headed “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to infringement claims from third parties, and we may be unable to protect our intellectual properties from unauthorized use, either of which could reduce the value of the brands we manage and harm our business and competitive market position” in this document.

Intellectual Property Rights Licensed by Brand Licensors to Our Group

We are generally licensed by the brand licensors to use the brand names or trademarks of such brand licensors, or in respect of the relevant products in connection with some of our sales and marketing activities. Notwithstanding such license, our marketing plans, materials and artwork in connection with the sales and marketing activities usually have to be approved by our brand licensors.

BUSINESS

PROPERTIES

As of the Latest Practicable Date, we did not own any properties in China, Hong Kong or Macau.

As of the Latest Practicable Date, we leased 62 properties with a total GFA of approximately 25,028 sq.m. in mainland China, of which 52 properties were in mainland China with a total GFA of approximately 17,860 sq.m., and 10 properties were in Hong Kong with a total GFA of approximately 7,168 sq.m. These leased properties are primarily used as warehouses, offices and retail stores.

As of March 31, 2024, no single property interest that forms part of non-property activities has a carrying amount of 15%, and no single property interest that forms part of property activities has a carrying amount of 1%, of our total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group’s interests in land or buildings.

AWARDS AND RECOGNITIONS

During the Track Record Period, we have received recognition for the quality and popularity of the products we sell. Some of the significant awards and recognition we have received are set forth below.

Award Year	Award/Recognition	Awarding Institution/Authority	Entity
2020, 2021, 2022 and 2023	Caring Company (「商界展關懷」標誌)	The Hong Kong Council of Social Service	Our Group
2021	Honour Award – 2021 Outstanding Caring Enterprise (奧納獎–2021年度傑出愛心企業)	The 4th Social Responsibility Conference (第四屆社會責任大會)	Our Group
2023	Brand Management Company of the Year (年度品牌管理公司)	Beauty Inc	Our Group

BUSINESS

<u>Award Year</u>	<u>Award/Recognition</u>	<u>Awarding Institution/Authority</u>	<u>Entity</u>
2024	5 Years+ Caring Company	<u>The Hong Kong Council of Social Service</u>	Our Group
2024	Hashtag Asia Awards 2024 – Best Social Media Partnerships: Celebrities	<u>marketing-interactive.com</u>	Our Group

COMPETITION

According to Frost & Sullivan, we are the largest brand management company in the combined perfumes market in mainland China, Hong Kong and Macau in terms of retail sales in 2023, and the third largest perfume group in the combined perfumes market in mainland China, Hong Kong and Macau in terms of the retail sales in 2023. We believe by leveraging our advantages in the brand and product mix, market insights, big data analytics capability, supply chain management and sales and distribution network, we will increase our market shares and capture more opportunities in the business segments that we operate in the future. We believe that we are well-positioned to excel in the competition within our industry. However, some of our current and potential competitors may enjoy several competitive advantages over us, including, but not limited to, better brand recognition, more financial resources, longer operating history, broader product portfolio, wider distribution channels, larger customer base and stronger relationship with brand licensors. We may not be able to effectively compete with them. See the section headed “Risk Factors — We operate in a highly competitive industry. If we fail to compete effectively, our business and operating results could be adversely affected” in this document for details.

SEASONALITY

Due to the nature of our business and the promotional festivals throughout the year in every season, including, among others, Mother’s Day, Valentine’s Day, Chinese New Year, Christmas, New Year, Singles’ Day (November 11) and 618 Shopping Day (June 18), among others, our revenue recorded for each quarter does not demonstrate an obvious seasonality.

INSURANCE

As of the Latest Practicable Date, we maintained insurance in respect of our operation in mainland China, Hong Kong and Macau, including fire insurance and cargo transportation insurance. We do not maintain product liability insurance. We are required by PRC social insurance laws and regulations to make contributions for social insurance funds for our employees. We also maintain relevant employees’ compensation and public liability insurances in Hong Kong and Macau.

BUSINESS

We believe that our insurance coverage is in line with industry practice in mainland China, Hong Kong and Macau, including with respect to the terms and coverage of the insurance policies. However, there is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. For more information, please refer to “Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources” in this document.

LICENSES, CERTIFICATES AND PERMITS

The following table sets out a list of material licenses and permits currently held by us for our operations in the PRC:

No.	Entity	Name of the License	Issue Date	Expiry Date ⁽¹⁾
1.	Eternal Shanghai Cosmetics	Class II Medical Device Business Record Certificate (第二類醫療器械經 營備案憑證)	July 6, 2021	–
2.	Eternal China Trading	Consignee or Consignor of Imported or Exported Goods (進 出口貨物收發貨人)	March 20, 2019	–
3.	Eternal Shanghai Trading	Consignee or Consignor of Imported or Exported Goods	September 9, 2008	–
4.	Shanghai Eternal Import and Export	Consignee or Consignor of Imported or Exported Goods	March 26, 2024	–
5.	Eternal Shanghai Cosmetic	Consignee or Consignor of Imported or Exported Goods	December 4, 2019	–
6.	Eternal Development	Consignee or Consignor of Imported or Exported Goods	March 22, 2024	–
7.	Shanghai Eternal Trading	Consignee or Consignor of Imported or Exported Goods	March 25, 2024	–

BUSINESS

No.	Entity	Name of the License	Issue Date	Expiry Date ⁽¹⁾
8.	Shanghai Eternal Brand Management	Consignee or Consignor of Imported or Exported Goods	March 26, 2024	–

Note:

(1) The renewal of these licenses is not required.

Our Directors confirm that, in addition to above, we had obtained all requisite licenses, certificates and permits from relevant authorities that are material to our operations in mainland China, Hong Kong and Macau as of the Latest Practicable Date.

For details of the laws and regulations of mainland China, Hong Kong and Macau that are applicable to our Group’s business operations, please see the section headed “Regulatory Overview” in this document.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may become involved in legal proceedings in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Corporate and Sustainability Governance

We are fully aware of our responsibilities toward the society. As a corporate citizen, we committed to integrating environmental, social, and governance (“ESG”) principles into all major aspects of our business operations. We have various governance measures in place to oversee the implementation of ESG related policies and sustainability vision, which are embedded in our standard operating procedures. We will also issue ESG report annually to

BUSINESS

disclose our efforts and achievements in compliance with requirements of the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) in Appendix C2 of the Listing Rules, upon the [REDACTED] and when appropriate.

Pursuant to our ESG policy, our Board has the collective and overall responsibility for the following:

- (i) supervising and reviewing our Group’s ESG framework, management principles and strategies;
- (ii) overseeing the ESG risk and climate related risk management mechanisms and regularly evaluate effectiveness; and
- (iii) reviewing the progress made against ESG-related goals and targets.

We will also establish an ESG working group, which is delegated by the Board, consist of representative from president office. The ESG working group will help implement ESG-related framework, policies and strategies approved by the Board. Main responsibilities of the ESG working group include:

- (i) establishing and maintaining the communication channels with key stakeholders;
- (ii) evaluating and prioritizing material ESG-related issues though materiality assessment;
- (iii) analysing the key performance indicators;
- (iv) implementing and enforcing ESG-related policies, procedures and measures approved by the Board; and
- (v) reporting the implementation of ESG-related policies and preparation of the ESG report to the Board on an annual basis.

Environmental Matters

The Group understand that addressing the environmental risk and reducing our environmental impact are essential for achieving a sustainable future. We are subject to a number of environmental laws and regulations in the PRC, including but not limited to the Law of the PRC on Environmental Protection (《中華人民共和國環境保護法》); the Law of the PRC on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》); the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》); the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》); and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治

BUSINESS

法》)。During the Track Record Period and up to the Latest Practicable Date, our Group was in compliance all relevant environmental laws and regulations in mainland China, Hong Kong and Macau in all material respects.

Energy and Green House Gas (“GHG”) Emission

In view of our business, we do not generate significant amounts of Scope 1 and 2 emissions. Scope 2 emission is our main source of GHG emissions, which belongs to the purchased electricity consumed by our offices and retail stores. Our Scope 1 emissions are generated from our company-owned vehicles, which are used for community purposes. To reduce these Scope 1 emissions, we will gradually phase out our petrol-powered cars and replace them with electric vehicles. Currently, we own one electric car and this number is expected to increase moderately over time.

Regarding the equipment in our offices and stores, we have gradually replaced our lighting sources with energy-efficient LED lights to save energy. To further enhance energy conservation efforts, we aim to turn off certain non-essential equipment, such as elevators, during non-peak hours. Additionally, we conduct regular inspections on our building equipment, replacing old systems and defective equipment with more energy-efficient alternatives.

Waste Disposal

Since the Group’s major waste generation comes from office and administrative activities, our waste reduction strategy focuses on minimizing this type of solid waste through strict management practices. Our office, stores and warehouse are strictly adhere to local waste classification regulations. We have digitalized warehouse operations, eliminating paper usage in the delivery process and enhancing supply chain efficiency and transparency. Additionally, we have established an electronic waste collection program to promote the responsible disposal of used technology items among staff members. In our warehouses and stores, waste, including packaging waste such as cardboard, paper and plastic film, as well as construction and landscape maintenance waste, is carefully sorted and handled by specialized service providers to reduce environmental impact. We also irregularly organize waste recycling campaigns to encourage reduced waste consumption and inspire employees and customers alike to collectively appreciate adopting eco-friendly practices.

Product Packaging

Some of our products require repackaging to comply with the local and customs requirements. We closely adhere to the Requirements of restricting excessive package — Foods and cosmetics (《限制商品過度包裝要求-食品 and 化妝品》) in order to reduce unnecessary packaging material consumption. We have established relevant repackaging procedure to restrict the number of packaging layers and void ratio within the package. Additionally, we organised green campaign to encourage our customers bringing their own bags to reduce the distribution of shopping bags.

BUSINESS

Climate Risk and Opportunity

Given the nature of our business, we do not anticipate environmental and climate-related risks to have a material impact on our business operations in the short term. However, we believe these risks may potentially impact our business value chain and financial condition over the medium and long term. We have identified several physical and transition risks and opportunity throughout our business chain that need to be addressed. If the risks and opportunities are considered to be material, we will plan to incorporate those risk and opportunity into our strategy and financial planning process.

Regarding acute physical risks, extreme weather events such as typhoons and floods may lead to delayed product delivery times and damage to our products and retail stores. If such events occur more frequently in the long term, our insurance premiums and operating costs will increase. For chronic physical risks, rising air temperatures may cause higher electricity consumption for air conditioning to maintain the same room temperature, potentially increasing operational costs.

The risk of policies and regulations, including mandatory emissions disclosures and regulation changes affecting existing products and services, may result in higher compliance costs and premature retirement of existing assets. Regarding market risks, we may be subject to changes in customer behavior, with consumers preferring more organic and eco-friendly perfumes. This could lead to reduced product demand if we do not pay enough attention to these types of product. Besides, we may encounter a market opportunity as customers may have a higher demand for perfume usage during hot weather conditions to mask body odor. Any perfume that can withstand high temperatures and effectively remove body odor will likely become popular in the long term, leading to an increase in revenue.

Social Matters

Employee Care

Our people are our greatest assets and we strive to create a supportive and inclusive environment that empowers our employees to thrive both personally and professionally. We fully protect the legitimate rights and interests of employees on recruitment, dismissal, salary, and benefits to ensure equal opportunities and create a diverse and inclusive working atmosphere to all our employees. Our Group is committed to being an equal opportunity employer, considering applicants for all positions without regard to race, color, nationality, religion, gender, sexual orientation, age, or any other protected characteristics. Besides, we prioritize employee care and well-being by offering breastfeeding facilities, family discounts on company products, and encouraging staff to attend social events with their loved ones.

Please see the section headed “Business — Employees” in this section for details related to the employee benefits, recruitment, career progression, training and development opportunities, as well as our policies on diversity and equal opportunity.

BUSINESS

Occupational and Workplace Safety

Our Group has established procedures to provide our employees with a safe and healthy working environment by setting out a series of work safety measures in the staff manual for our staff to follow. Our Group follows the health and safety-related rules and regulations pursuant to relevant laws and regulations in mainland China, Hong Kong and Macau, and have devised a series of requirements for workplace environmental control and hygiene in the workplaces accordingly. As of the Latest Practicable Date, we had complied with applicable laws and regulations on health, occupational safety and environmental protection in all material respects.

Our administration department is responsible for the daily implementation of our work safety measures and compliance record keeping. We consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations were not material during the Track Record Period and up to the Latest Practicable Date and the cost of such compliance is not expected to be material going forward. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any significant incidents or accidents in relation to workers’ safety. Furthermore, we have not been subject to any material claim, whether for personal or property damage, or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable laws and regulations of the relevant jurisdictions in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Anti-corruption

Our Group is steadfast in conducting business with integrity, transparency, and in full compliance with all applicable anti-corruption laws and regulations. To uphold our reputation and maintain the highest ethical standards, we have formulated a comprehensive Anti-Bribery Policy, which mandates all employees to carry out their duties and activities in strict adherence to relevant laws and regulations.

We have implemented robust internal controls and rigorous audit mechanisms to prevent, detect, and respond promptly to any fraudulent activities. The Group adopts a zero-tolerance approach towards bribery and corruption, and any violations of our Anti-Bribery Policy may result in severe disciplinary action, including termination of employment or business relationships. During the Track Record Period and up to the Latest Practicable Date, our Group had not concluded any legal cases regarding corruption, bribery, fraud and money laundering practices.

Community Engagement

Our Group deeply cares about the communities in which we operate, as their well-being is vital to our success. We actively encourage employees to participate in community events and activities, such as supporting the local culture and volunteering on-site to aid vulnerable

BUSINESS

communities. During the Track Record Period, we organize the “Dress Pink Day” event, encouraging all employees to wear pink to raise awareness and show solidarity with individuals affected by breast cancer, both within our organization and the communities we serve.

Furthermore, we have sponsored all our employees to attend a screening of the movie “All You Need Is Love”, a film aimed at raising funds for film industry practitioners impacted by the COVID-19 pandemic. We understand the tremendous impact the crisis has had on the film industry and are dedicated to lending our support to those in need during challenging times. Through such initiatives, we strive to foster a strong sense of community and contribute to the well-being of society.

IMPACT OF COVID-19 PANDEMIC ON OUR GROUP

Since December 2019, there has been an outbreak of the novel coronavirus, COVID-19, across the world. In response to the spread of the COVID-19 virus, including variants and mutant strains such as Delta and Omicron variants, certain business and social activities were affected to some extent. We have implemented precautionary measures in the sales premises that we operate, including requiring all entrants to wear face masks, measuring their temperature and providing personal disinfectant products such as hand sanitizers to our consumers and employees.

While we believe that the impact of the COVID-19 pandemic on our business has been eased, the outbreak of the COVID-19 pandemic had the following impact on our business, results of operation and financial condition during the Track Record Period: (i) the total consumer traffic in our offline stores/countered decreased during the COVID-19 pandemic, which resulted in an increase of inventory balance and inventory turnover days; (ii) in 2021 and 2022, approximately 4.0% and 23.0%, respectively, of our self-operated offline stores were temporarily closed due to the COVID-19 pandemic; and (iii) the time required for completing the custom clearance became relatively longer under the impact of COVID-19 pandemic.

While the COVID-19 pandemic no longer has any material impact on our business operations, we will maintain a well-balanced online-offline sales network to deal with the challenges that may be brought by any circumstances in the future similar to the COVID-19 pandemic.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an internal control consultant, or the Internal Control Consultant, to perform certain agreed-upon procedures in connection with the internal control of our Company and our major subsidiaries and to report factual findings on our Group’s entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, general controls of IT system, taxation management,

BUSINESS

production and costing, insurance management, research and development and intangible assets. The Internal Control Consultant performed procedures in April 2024 and follow-up procedures in May 2024 on our Company’s system of internal control. As of the Latest Practicable Date, there was no material issue remaining in relation to the internal controls of our Group.

We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our internal control personnel. Our Directors (who are responsible for overseeing our corporate governance) with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations after the [REDACTED].

Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have established the Audit Committee which shall (i) make recommendations to our Directors on the appointment and removal of external auditors; (ii) review our financial statements and oversee our financial reporting and internal audit; and (iii) oversee our risk management and internal control procedures. For more details, see the section headed “Directors and Senior Management — Corporate Governance — Audit Committee” in this document.
- We have engaged Alliance Capital Partners Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the [REDACTED] regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of funding complies with the section headed “Future Plans and Use of [REDACTED]” in this document after the [REDACTED], as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.
- We plan to engage legal advisers to advise us on and keep us abreast with the applicable laws and regulations after the [REDACTED]. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest laws and regulations applicable to us.

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the industries where we operate, our ability to offer quality services, our ability to manage our anticipated growth and to execute on our growth strategies, and our

BUSINESS

ability to compete with our competitors. See the section headed “Risk Factors” in this document for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to risks in connection with foreign exchange, cash flow an fair value interest rate, credit and liquidity. See “Financial Information — Qualitative and Quantitative Disclosure about Market Risk” for a discussion of these market risks.

In order to meet these challenges, our Audit Committee, which consists of three Directors, namely, Mr. Tao Chi Keung, Mr. Nagy Guillaume Nicolas Sébastien and Ms. Chan Soh Cheng and is chaired by Mr. Tao Chi Keung, is responsible for reviewing and supervising our financial reporting process, risk management and internal control system.

We maintain a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, liability policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and IT systems to implement our accounting policies, and our finance department reviews our management accounts accordingly. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and strictly enforce them in our daily operations.

In addition, we have set a number of standard operation procedures for human resource management in mainland China, Hong Kong and Macau, including the employee management system, training manuals, and human resource planning policies. These measures aim to mitigate our risks in insufficient recruitment, staff attrition, non-compliance with labor regulations, employee information management and others.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED]% by Eternal International, which is in turn held by Mr. Lau and Mrs. Lau as to 90% and 10% respectively. For the purposes of the [REDACTED] and under the Listing Rules, Eternal International, Mr. Lau and Mrs. Lau will therefore be regarded as the Controlling Shareholders of our Company.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of four executive Directors and three independent non-executive Directors. For more information, please see “Directors and senior management”.

Our Directors consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by our executive Directors and our senior management team, other than Mr. Lau, who is one of our Controlling Shareholders, and Ms. Lau, who is the daughter of Mr. Lau, the rest of whom are independent from our Controlling Shareholders, and have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors who have extensive experience in different professions and industries. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of view and opinions;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest and shall, save in certain circumstances provided by the Articles, abstain from voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, which would support our independent management. Please see “— Corporate governance measures” in this section for further details.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform their managerial roles and run the business of our Group independently from our Controlling Shareholders and their respective close associates.

Operational independence

Our Group is not operationally dependent on our Controlling Shareholders and their respective close associates, including:

- (a) We have established our own organizational structure, which comprises individual departments and each department has its own administrative and corporate governance infrastructure;
- (b) We hold all of the relevant licenses and intellectual property rights material to our business operation and has sufficient capital, facilities, equipment and employees to operate our business independently;
- (c) our Controlling Shareholders have no interest in any of our top five suppliers and customers. We do not rely on our Controlling Shareholders and their close associates and have independent access to our suppliers and customers; and
- (d) We have established a set of internal control procedures to facilitate the effective operation of our business independent from our Controlling Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

We entered into certain lease agreements with our Controlling Shareholders and their close associates during the Track Record Period, pursuant to which certain subsidiaries of our Company agreed to rent properties as their office and warehouse. Principal terms of such lease agreements are set out as follows:

Lessee	Lessor	Premises	Approximate gross Floor Area (m ²)	Monthly rental	Usage	Term	Listing Rules implications
Property Lease Agreement I							
Eternal Far East	Land Pacific Investment Limited	11/F Enterprise Square Two, No. 3 Sheung Yuet Road, Kowloon Bay, Hong Kong	875	HK\$197,000	Office	April 1, 2024 to March 31, 2026 (both days inclusive)	This Property Lease Agreement I is subject to a fixed term and is regarded as a one-off connected acquisition of capital asset under the Listing Rules. As this Property Lease Agreement I was entered into prior to the [REDACTED] and the transaction thereunder is one-off in nature, the payment of the rental contemplated thereunder will not be classified as a continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transactions under this Property Lease Agreement I will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.
		Unit 1-3, 22/F Enterprise Square Two, No. 3 Sheung Yuet Road, Kowloon Bay, Hong Kong	319	HK\$72,000	Office	April 1, 2024 to March 31, 2026 (both days inclusive)	
		Unit 1 & 2 9/F Block A Ko Fai Industrial Bldg. 7 Ko Fai Road, Yau Tong, Hong Kong	2,114	HK\$292,000	Warehouse	April 1, 2024 to March 31, 2026 (both days inclusive)	
		Unit 5-6, 22/F Enterprise Square Two, No. 3 Sheung Yuet Road, Kowloon Bay, Hong Kong	304	HK\$69,000	Office	April 1, 2024 to March 31, 2026 (both days inclusive)	

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Lessee	Lessor	Premises	Approximate gross Floor Area (m ²)	Monthly rental	Usage	Term	Listing Rules implications
Property Lease Agreement II							
Eternal Far East	Mr. Lau and Mrs. Lau	Unit 7, 22/F, Enterprise Square Two, No. 3 Sheung Yuet Road, Kowloon, Hong Kong	112	HK\$25,000	Office	April 1, 2024 to March 31, 2026 (both days inclusive)	This Property Lease Agreement II is subject to a fixed term and is regarded as a one-off connected acquisition of capital asset under the Listing Rules. As this Property Lease Agreement II was entered into prior to the [REDACTED] and the transaction thereunder is one-off in nature, the payment of the rental contemplated thereunder will not be classified as a continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transactions under this Property Lease Agreement II will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.
Property Lease Agreement III							
Eternal Far East	Glasworld International Limited	Unit 8, 22/F Enterprise Square Two, No. 3 Sheung Yuet Road, Kowloon Bay, Hong Kong	140	HK\$32,000	Office	April 1, 2024 to March 31, 2026 (both days inclusive)	This Property Lease Agreement III is subject to a fixed term and is regarded as a one-off connected acquisition of capital asset under the Listing Rules. As this Property Lease Agreement III was entered into prior to the [REDACTED] and the transaction thereunder is one-off in nature, the payment of the rental contemplated thereunder will not be classified as a continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transactions under this Property Lease Agreement III will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Lessee	Lessor	Premises	Approximate gross Floor Area (m ²)	Monthly rental	Usage	Term	Listing Rules implications
Property Lease Agreement IV							
Eternal Beijing Trading	Mr. Lau and Mr. Andy Lau	Unit 1805, 18th Floor, Tower A, Jiali Center Enterprise Plaza, 121 Qingnian Street, Shenhe District, Shenyang City, Liaoning Province, PRC	220	RMB30,000	Office	April 1, 2024 to March 31, 2026	This Property Lease Agreement IV is subject to a fixed term and is regarded as a one-off connected acquisition of capital asset under the Listing Rules. As this Property Lease Agreement IV was entered into prior to the [REDACTED] and the transaction thereunder is one-off in nature, the payment of the rental contemplated thereunder will not be classified as a continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transactions under this Property Lease Agreement IV will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.
Property Lease Agreement V							
Eternal Beijing Trading	Ms. Lau	Room 3307, 29th Floor, Tower A, No. 8 Dongdaqiao Road, Chaoyang District, Beijing, PRC	508	RMB66,900	Office	April 1, 2024 to March 31, 2026	This Property Lease Agreement V is subject to a fixed term and is regarded as a one-off connected acquisition of capital asset under the Listing Rules. As this Property Lease Agreement V was entered into prior to the [REDACTED] and the transaction thereunder is one-off in nature, the payment of the rental contemplated thereunder will not be classified as a continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transactions under this Property Lease Agreement V will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Lessee	Lessor	Premises	Approximate gross Floor Area (<i>m</i> ²)	Monthly rental	Usage	Term	Listing Rules implications
Property Lease Agreement VI Shanghai Eternal Cosmetics	Shanghai Xiayi International Trading Co., Ltd.	Units T3-3201 to T3-3219, Building 166 Minhang Road, Minhang District, Shanghai, PRC	2,236	RMB613,813	Office	April 1, 2024 to March 31, 2026	This Property Lease Agreement VI is subject to a fixed term and is regarded as a one-off connected acquisition of capital asset under the Listing Rules. As this Property Lease Agreement VI was entered into prior to the [REDACTED] and the transaction thereunder is one-off in nature, the payment of the rental contemplated thereunder will not be classified as a continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transactions under this Property Lease Agreement VI will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Notwithstanding such one-off transactions, our Directors are of the view that we have been operating and will continue to operate independently from our Controlling Shareholders and their close associates on the following bases:

- (a) we use the premises leased from our Controlling Shareholders and their close associates as offices and warehouse, and there are other readily available premises in the market and can be leased from Independent Third Parties at reasonable prices. We may seek appropriate alternative premises from Independent Third Parties without any material adverse effect on our business and operations; and
- (b) such one-off transactions are entered into during our ordinary and usual course of business based on arm's length negotiations and on normal commercial terms, which are fair and reasonable, and are in the interest of our Company and Shareholders as a whole.

Based on the above, our Directors consider that our business is operationally independent of our Controlling Shareholders and their respective close associates.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function, and an Audit Committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

During the Track Record Period, Mr. Lau, one of our Controlling Shareholders, provided certain guarantees and pledges by himself, entities controlled by him, or properties owned by him, and Mrs. Lau, one of our Controlling Shareholders, provided pledge by properties jointly owned by her and Mr. Lau, for our loans and facilities. Eternal Far East also provided guarantees to one entity controlled by Mr. Lau, Land Pacific Investment Limited, for its loans and facilities.

As at May 31, 2024, being the latest practicable date for indebtedness, the guarantee provided by Mr. Lau for the outstanding bank facilities were approximately RMB3.2 million. As at the Latest Practicable Date, we have obtained consent from the relevant bank to release the aforesaid guarantees and pledged assets by substituting with our corporate guarantee upon the [REDACTED].

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

On December 21, 2021, Mr. Lau, Eternal BVI and one of our top five suppliers during the Track Record Period (the “**Supplier**”) entered into a China strategy and options agreement (the “**Option Agreement**”), pursuant to which (i) the Supplier was granted an option to purchase the entire issued share capital of E&C Holdings (the “**Acquisition Option**”) which is exercisable at any time in the period of six months upon, among others, the fifth anniversary, the seventh anniversary or the ninth anniversary of the Option Agreement, and (ii) Mr. Lau provided a guarantee on due observance and performance by Eternal BVI of its duties and obligations under the Option Agreement and agreed to indemnify the Supplier against all losses which Fontaine may suffer by reasons of, among others, any breach by Eternal BVI of its obligations under the Option Agreement, provided that the maximum liability of Mr. Lau under the Option Agreement should be no more than EUR5 million. Subsequently in 2023, a deed of variation and novation (“**Deed of Novation**”) was entered into between, among others, Eternal BVI and Mr. Lau to amend certain terms of the Option Agreement and a distribution agreement entered into with the Supplier in relation to, among others, the distribution of the products of the Supplier (the “**Distribution Agreement**”). Under the Deed of Novation, Mr. Lau also provided a guarantee on due observance and performance by E & C Holdings (i.e. the entity which entered into the Distribution Agreement as distributor with the Supplier) of its duties and obligations under the Distribution Agreement; and agreed to indemnify to the Supplier against all losses which the Supplier may suffer by reasons of, among others, any breach by E & C Holdings of its obligations under the Distribution Agreement, provided that the maximum liability of Mr. Lau under the Deed of Novation should be no more than EUR3 million except under exceptional circumstances such as fraud or fraudulent misrepresentation.

The revenue generated from our distribution of the products from the Supplier amounted to approximately RMB11.9 million, RMB61.0 million and RMB94.0 million, respectively, during the Track Record Period, representing approximately 0.7%, 3.6% and 5.0% of our total revenue during the relevant period. As such, we believe that the continuation of the provision of guarantee by Mr. Lau under the Option Agreement and the Deed of Novation after the [REDACTED] does not amount to any material reliance and will not affect our ability to operate independently from our Controlling Shareholders from financial perspectives.

Other than the above, our source of funding and our finances are independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period. Our Directors confirm that our Group does not intend to obtain any further borrowing, guarantees, pledges and mortgages from any of our Controlling Shareholders or their respective close associates. Based on the above, our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in the business operations of our Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

During the Track Record Period, our Group sold eyewear products to Gold Vision Limited (“Gold Vision”), a company controlled by Mr. Lau Andy Wing Hang, the son of Mr. Lau. Such transactions are expected to continue after the [REDACTED]. For details, please see the “Continuing Connected Transactions” section in this document. Eternal BVI has been one of the directors of Gold Vision. As such, our Controlling Shareholders will be regarded as having an interest as director in Gold Vision by virtue of the Listing Rules. Having considered that (i) the principal business of Gold Vision is retail sales of eyewear products; (ii) during the Track Record Period and up to the Latest Practicable Date, we were only engaged in wholesale and distribution of eyewear products; (iii) both Gold Vision and our Group have no intention to change their respective principal business, our Directors are of the view that there is clear delineation and no material competition between the business operated by Gold Vision and our Group.

Our Controlling Shareholders confirm that as of the Latest Practicable Date, save as disclosed above, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- (a) under the Articles, where a Shareholders’ meeting is held to consider proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, our Controlling Shareholder(s) will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after [REDACTED];
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary or requested by the independent non-executive Directors for their annual review, including all relevant financial, operational and market information;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its interim and annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;
- (g) we have appointed Alliance Capital Partners Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code. All of the members of our Audit Committee are non-executive Directors, and the majority of the members, including the chairman, are independent non-executive Directors.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [REDACTED].

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

We have in the past entered into certain transactions with parties who will, upon the [REDACTED], become connected persons of our Company. We will continue to engage in certain connected transactions after the [REDACTED]. Details of such continuing connected transactions of our Company under Chapter 14A of the Listing Rules are set out below.

RELEVANT CONNECTED PERSONS

Upon completion of the [REDACTED], the following parties with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules:

Connected persons	Connected relationship
Gold Vision Limited (“ Gold Vision ”).	Gold Vision Limited is held as to 70% by Mr. Lau Andy Wing Hang, who is the son of Mr. Lau and the younger brother of Ms. Lau. He is therefore deemed to be a connected person of our Company under the Listing Rules.
Mr. Lau	Mr. Lau is our executive Director and one of the Controlling Shareholders of our Company, and therefore a connected person of our Company under the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Sales of Eyewear Products to Gold Vision

During the Track Record Period, we sold eyewear products to Gold Vision which is primarily engaged in retail sales of eyewear products. For the years ended March 31, 2022, 2023 and 2024, the revenue from our sales to Gold Vision amounted to approximately HK\$50,600, HK\$23,200 and HK\$39,900, respectively. The sales of the eyewear products have been and will be made on comparable terms as those offered to Independent Third Party customers.

The transactions with Gold Vision have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better. Based on the historical transactions amount with Gold Vision, our Directors expect that the revenue from our sales to Gold Vision upon [REDACTED] will not exceed HK\$200,000 on an annual basis. As each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the transactions with Gold Vision is expected to be, on an annual basis, less than 0.1%. Therefore, the transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

If any of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the transactions with Gold Vision is expected to exceed the applicable de minimis thresholds stipulated under Rule 14A.76(1) of the Listing Rules, we will comply with all applicable requirements under Chapter 14A of the Listing Rules.

Guarantees by Mr. Lau

Mr. Lau provided a personal guarantee on our due observance and performance of the obligations under each of the Option Agreement and the Deed of Novation (collectively, the “**Guarantees**”). For more details of the Guarantees, see “Relationship with the Controlling Shareholders — Independence from Controlling Shareholders — Financial Independence” in this document.

Each of the Guarantees constitutes financial assistance provided by connected person of our Company for the benefit of the Group is (i) on normal commercial terms or better as it is provided unilaterally by Mr. Lau to guarantee our due observance and performance of the obligations under the Option Agreement or the Deed of Novation without any reciprocal obligation from our Group to Mr. Lau and (ii) is not secured by the assets of our Group. Therefore, the Guarantees will be fully exempt from the annual review, reporting, announcement and independent Shareholders’ approval requirements under Rule 14A.90 of the Listing Rules.

The Supplier was granted an option to purchase the entire issued share capital of E&C Holdings (the “**Acquisition Option**”) which is exercisable at any time in the period of six months upon, among others, the fifth anniversary, the seventh anniversary or the ninth anniversary of the Option Agreement. The term of the guarantee under the Option Agreement shall remain in full force and effect until full performance of the obligations under the Option Agreement while that of the Deed of Novation shall remain in full force and effect until the completion of the sale and purchase of the relevant shares of E&C Holdings upon the Supplier exercising the Acquisition Option. As such, the term of the Guarantees may be longer than three years. Considering (i) it is beneficial for our Group to maintain a long-term relationship with the Supplier to secure and expand our customer base in the industry; and (ii) the Guarantees were provided unilaterally by Mr. Lau to guarantee our due observance and performance of the obligations under the Option Agreement and the Deed of Novation without any reciprocal obligation from our Group to Mr. Lau, our Directors are of the view, and the Joint Sponsors concur, that the provision of Guarantees for a period of more than three years is appropriate and beneficial to our Group and Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon [REDACTED], our Board will consist of seven Directors, including four executive Directors and three independent non-executive Directors. The following table sets out certain information in respect of our Directors:

Name	Age	Position	Date of first joining our Group	Time of appointment as Director	Roles and responsibilities
Executive Directors					
Mr. Lau Kui Wing (劉鉅榮) ⁽¹⁾	78	Executive Director and chairman of the Board	February 1983	January 9, 2024	Overall strategic planning and business direction of our Group
Ms. Lam King (林荊)	49	Executive Director and chief executive officer	December 1999	July 10, 2024	Overall operational management of our Group
Ms. Lau Wing Yin (劉穎賢) ⁽¹⁾	49	Executive Director	March 2004	July 10, 2024	Overall business development of our Group
Mr. Chu Wai Tsun, Baggio (朱維馴)	50	Executive Director and chief financial officer	July 2010	July 10, 2024	Overall financial management and investors relationship affairs of our Group
Independent Non-executive Directors					
Mr. Tao Chi Keung (陶志強)	53	Independent Non-executive Director	[●], 2024	[●], 2024	Supervising and providing independent judgment to our Board

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of first joining our Group	Time of appointment as Director	Roles and responsibilities
Mr. Nagy Guillaume Nicolas Sébastien	49	Independent Non- executive Director	[●], 2024	[●], 2024	Supervising and providing independent judgment to our Board
Ms. Chan Soh Cheng	56	Independent Non- executive Director	[●], 2024	[●], 2024	Supervising and providing independent judgment to our Board

Note:

(1) Ms. Lau is the daughter of Mr. Lau

EXECUTIVE DIRECTORS

Mr. Lau Kui Wing (劉鉅榮), aged 78, founder of our Group, was appointed as a Director on January 9, 2024 and re-designated as an executive Director on July 12, 2024. He is also the chairman of our Board and is primarily responsible for formulating the overall strategic planning and business direction of our Group. Mr. Lau is also a director of certain of our subsidiaries, namely Eternal BVI, Excellent Fareast, Eternal China, Eternal Far East, Moral Happiness, Talent Crown, E & C Holdings, E & C Trading, Eternal China Trading and Eternal Shanghai Trading, and a director of B&E China, our joint venture company. Mr. Lau is the father of Ms. Lau, our executive Director.

Mr. Lau has over 40 years of extensive experience in perfume agency sales, retail, and brand operations management. Prior to founding our Group, from August 1972 to March 1988, he worked in Cathay Pacific Airways Limited with his last position as a chief purser. Eyeing on the absence of brand management companies introducing imported perfumes into the PRC markets, Mr. Lau introduced international perfumes into China in 1988 through organizing a perfume boutique counter in a department store in Beijing. He has then devoted his full time to pursue his business in the perfume industry since 1988, and has successfully led us to become a leading brand management company for perfumes in China.

Mr. Lau is an honorary chairman (榮譽會長) of The Cosmetic & Perfumery Association of Hong Kong Ltd. (香港化粧品同業協會). Mr. Lau was awarded the honor of “Outstanding Philanthropic Entrepreneur of the Year (奧納獎–傑出愛心企業家)” in 2021 and 2023, respectively.

Mr. Lau graduated from The Harrow E. T. School Hong Kong in August 1966.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Lam King (林荊), aged 49, joined our Group since December 1999. She was appointed as a Director on July 10, 2024 and was re-designated as an executive Director on July 12, 2024. She is also chief executive officer of our Group and is primarily responsible for overall operational management of our Group. Ms. Lam is also a director of B&E China, our joint venture company.

Since joining our Group, Ms. Lam has held various positions across different business divisions of our Group. From December 1999 to February 2005, she was a business administrator responsible for our Group’s business administration. From March 2005 to September 2007, she was appointed as operation manager overseeing the overall operations in mainland China. From October 2007 to February 2011, she served as brand development and management director of our Group overseeing all aspects of product lifecycle develop product initiatives. She became vice president of our Group in March 2011 and then senior vice president of our Group in February 2018 overseeing the business in Hong Kong and mainland China including internal operations and customer relations and spearheaded the development of our Group’s back-end functions including supply chain management, digital transformation and digital marketing initiatives.

Ms. Lam has over 20 years of profound managerial experience in our Group and a comprehensive understanding of the perfume, skincare, cosmetics industry. She was the Brand Alliance vice chairperson of the 27th China Beauty Expo in 2023, the vice chairperson and endorsement officer of Online China Beauty Expo in 2022, special strategic supporting enterprise representative of Chinese Cosmetics Retail Expo in 2021, and the Brand Alliance vice chairperson of the 26th China Beauty Expo in 2021.

Before joining our Group, from February 1997 to August 1999, Ms. Lam worked at Easewell Industrial Ltd., a household products manufacturer, as marketing and sales co-coordinator responsible for marketing and sales.

Ms. Lam obtained a bachelor’s degree of arts in business studies from City University of Hong Kong in November 1998.

Ms. Lau Wing Yin (劉穎賢), aged 49, joined our Group in March 2004. She was appointed as a Director on July 10, 2024 and re-designated as an executive Director on July 12, 2024. She is primarily responsible for overall business development of our Group. Ms. Lau is also a director of certain of our subsidiaries, namely Eternal China, Eternal Far East, Moral Happiness, Talent Crown, E & C Holdings, E & C Trading, E China Trading and Guangzhou Consulting. Ms. Lau is the daughter of Mr. Lau, our founder, chairman of our Board, and our executive Director.

Ms. Lau brings over 20 years of industry experience to her role. After completing her overseas education, Ms. Lau served at Eagle Star Insurance Company Limited, a British insurance company under Zurich Financial Services, from August 2001 to March 2004 and was responsible for financial planning. Upon joining our Group in 2004, Ms. Lau has held various key positions within the organization, with a focus on the regional business in Hong Kong. Her

DIRECTORS AND SENIOR MANAGEMENT

marketing expertise and strategic vision elevated the performance of the marketing department, laying the groundwork for the Group’s expanding brand portfolio. Ms. Lau then transitioned to the sales division, leveraging her deep understanding of consumer trends and market dynamics to spearhead business development initiatives that significantly bolstered our revenue streams. In recognition of her invaluable contributions, Ms. Lau was appointed as Vice President in 2020, overseeing the sales and operations in Hong Kong.

In addition to her business responsibilities, Ms. Lau has assumed the Chairmanship of the International Fragrance Foundation organized by our Group in Hong Kong and Macau. Furthermore, Ms. Lau has been appointed as the Caring Ambassador from March 2024 to February 2025, in recognition of her contribution in corporate community involvement programmes.

Ms. Lau obtained a bachelor’s degree of arts from Macquarie University in Australia in September 2001.

Mr. Chu Wai Tsun, Baggio (朱維馴), aged 50, initially joined our Group in July 2010 as the financial controller of Eternal Far East until March 2020. Mr. Chu re-joined our Group in May 2023 as the chief financial officer. He was appointed as a Director on July 10, 2024 and re-designated as an executive Director on July 12, 2024. He is primarily responsible for overall financial management and investors relationship affairs of our Group.

Mr. Chu has long been engaged in auditing and financing, and has rich experience in investment and financial management. From May 2002 to February 2005, Mr. Chu worked in H.K. Zhong Tian Hua Zheng CPA Ltd. with his last position as semi senior audit assistant. From April 2005 to December 2008, he worked in PricewaterhouseCoopers with his last position as a manager. From January 2009 to June 2010, he worked as a senior audit manager in UHY Vocation HK CPA Limited. From March 2020 to September 2021, he worked as senior financial director in Sipai Health Technology Co., Ltd. (思派健康科技有限公司), a medical and health services company currently listed on the Stock Exchange (stock code: 314). From September 2021 to December 2022, he worked as vice president of finance in Shenzhou Medical Technology Co., Ltd (神州醫療科技股份有限公司). From March 2012 to June 2018 and since June 2021, Mr. Chu was and has been an independent non-executive director of Nanjing Panda Electronics Company Limited (南京熊貓電子股份有限公司), an electronic equipment company currently listed on the Stock Exchange (stock code: 553) and Shanghai Stock Exchange (stock code: 600775).

Mr. Chu was admitted as an associate of CPA Australia in January 2001. He obtained the master’s degree of commerce in finance at the University of New South Wales in Australia in June 2002 and a bachelor’s degree of business at the University of Technology, Sydney in October 2000.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tao Chi Keung (陶志強) (“Mr. Tao”), aged 53, was appointed as an independent non-executive Director on [●], 2024. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Tao has extensive years of working experience in financial management and auditing. Prior to joining our Group, from July 1993 to February 1996, Mr. Tao worked in the audit department of Ernst & Young with his last position as a staff accountant III. From March 1996 to May 1998, Mr. Tao was the accounting manager of FT Holdings International Limited (currently known as DeTai New Energy Group Limited) (stock code: 559). From June 1998 to October 1999, Mr. Tao worked as an assistant manager at New World China Land Limited (a company listed on the Stock Exchange in July 1999 and delisted in August 2016). From October 1999 to September 2003, he worked in KPMG with his last position as a manager. From April 2004 to October 2009, he then worked in PricewaterhouseCoopers with his last position as a senior manager. Mr. Tao subsequently served as a chief financial officer in Birdland (Hong Kong) Limited from December 2009 to September 2010 and Chiaus Int’l Group Co., Limited from October 2010 to July 2011, respectively. He served as a chief financial officer and company secretary of Kinetic Mines and Energy Limited (currently known as Kinetic Development Group Limited) (stock code: 1277) from October 2011 to August 2015. Mr. Tao is currently serving as a chief financial officer and company secretary of Nameson Holdings Limited (stock code: 1982) and an independent non-executive director of TATA Health International Holdings Limited (stock code: 1255).

Mr. Tao obtained a bachelor’s degree of business administration in accounting from the Hong Kong Baptist College (currently known as the Hong Kong Baptist University) in December 1993. Mr. Tao was admitted as an associate of the Chartered Association of Certified Accountants in September 1996 and a fellow of the Hong Kong Institute of Certified Public Accountants in July 2010, respectively. He was also registered as a certified public accountant in the Accounting and Financial Reporting Council in January 2024.

Mr. Nagy Guillaume Nicolas Sébastien (“Mr. Nagy”), aged 49, was appointed as an independent non-executive Director on [●], 2024. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Nagy has over 18 years of experience in brand building in Asia Pacific. From June 2006 to January 2017, he was a director in Puig Asia Pacific Pte Ltd., a Singapore company principally engaged in wholesale business, overseeing the development of the Group’s activities in Asia Pacific. From July 2017 to May 2019, he was a director in C&J Clarks (S) Pte. Ltd., a Singapore company principally engaged in the retail sale of footwear. Since December 2022, he has been serving as a director in Clarins Pte. Ltd., a Singapore company principally engaged in wholesale of cosmetics and toiletries and operation of beauty salons and spas.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Nagy obtained a master’s degree in management from the Graduate School of Business of Grenoble in France in December 1999. He also obtained a master’s degree of business administration from the University of Warwick through distance learning in June 2016.

Ms. Chan Soh Cheng (“Ms. Chan”), aged 56, was appointed as an independent non-executive Director on [●], 2024. She is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Ms. Chan worked as a managing director in Beautiful Tree (Shanghai) Ltd Company, a company engaging in distribution of fragrance and beauty products, from April 2019 to September 2021. Since May 2022, she worked as a president of Greater China in Swarovski (Shanghai) Trading Co., Ltd., responsible for the overall management of the company.

Ms. Chan graduated from Buona Vista Secondary School in Singapore in 1983.

Save as disclosed above, none of our Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document. Save as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities</u>
Ms. Wang Wei (王巍)	43	Chief operation officer	April 2010	Overall operational management of our Group
Mr. Xue Yanhe (薛燕河)	56	Vice president	July 1998	Management of shopping malls and department stores sales channels

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Roles and responsibilities
Mr. Huang Huiyong (黃慧勇)	51	General manager of channels	December 2016	Management of modern sales channels
Ms. Lam Hiu Ying (林曉盈)	38	Financial director	March 2013	Financial management of our Group

Ms. Wang Wei (王巍), aged 43, is the chief operation officer of our Group.

Ms. Wang Wei initially joined our Group in April 2010 as the brand manager of color cosmetics business segment of our Group, and till October 2016, she was in charge of color cosmetics business segment of our Group, operating several color cosmetics brands managed by our Group. From November 2016 to December 2018, she worked as the vice president of merchandising and operation in Meilihui (Shanghai) Trading Co. Ltd, (魅力惠(上海)貿易有限公司), a subsidiary of Alibaba Group Holding Ltd, which is a company listed on the New York Stock Exchange (stock code: BABA), where she was responsible for Tmall luxury business line and initiated to establish Tmall luxury brand stores. Ms. Wang re-joined our Group as vice president in January 2019 and took the lead on expanding sales online channels to more than 20 e-commerce platforms. In September 2022, she was promoted as chief operation officer, overseeing online and offline sale channels, marketing, and supply chain management.

Ms. Wang obtained a bachelor’s degree in law from Dongbei University of Finance and Economics in the PRC in July 2003 and obtained a degree of master of business administration (international) from the University of Hong Kong in November 2014.

Mr. Xue Yanhe (薛燕河), aged 56, is a vice president of the China region of our Group.

Mr. Xue joined our Group since July 1998 when he was in charge of expanding business of our Group and initiating cooperations with shopping malls and department stores in Beijing. He has been the vice president of China region since 2018, overseeing and managing shopping malls and department stores sales channels of our Group.

Mr. Xue obtained a diploma in business administration from the Society of Business Practitioners of Manchester in the United Kingdom in March 1996.

Mr. Huang Huiyong (黃慧勇), aged 51, is the general manager of channels of our Group.

Mr. Huang joined our Group since December 2016 as general manager in charge of Guangzhou region, and as general manager of modern sales channels of our Group. He is primarily responsible for the modern sales channels of our Group, including key accounts and cosmetics stores.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang possesses over 20 years of experience in sales, marketing and general management in the retail and cosmetics industry. Prior to joining our Group, from June 2002 to September 2008, he worked for L’Oréal (China) Co. Ltd. (歐萊雅(中國)有限公司) as regional sales manager of mass cosmetics division, a cosmetics company concentrating on hair color, skincare, sun protection, make-up, perfume, and hair care. From March 2014 to June 2015, Mr. Huang worked as a general manager in Guangzhou Bioote Cosmetics Co., Ltd. (廣州碧歐特化妝品有限公司), a PRC cosmetics company owning and operating brands. From January 2016 to December 2016, he worked for Shenzhen Jingrun Pearl Sales Co. Ltd. (深圳京潤珍珠銷售有限公司), a company engaging in pearl research and development, production, sales and cultural exhibition, as general manager before joining our Group.

Mr. Huang obtained a diploma majoring in corporate management at Liming Vocational University in the PRC in July 1994 and is currently studying for management administration program in Donghua University in the PRC.

Ms. Lam Hiu Ying (林曉盈), aged 38, is the financial director of our Group.

Before joining our Group, from January 2009 to February 2013, Ms. Lam worked in PricewaterhouseCoopers with her last position as a senior associate in the assurance department. Ms. Lam joined our Group in March 2013, responsible for financial analysis and management of our Group. In April 2024, she was promoted to financial director.

Ms. Lam was admitted as a certified public accountant by the Hong Kong Institute of Certified Public Accountants in February 2012. She obtained a bachelor’s degree of business administration from the Chinese University of Hong Kong in December 2009.

JOINT COMPANY SECRETARIES

Ms. Chung Kok Kuen (鍾閣娟) was appointed as a joint company secretary of our Company with effect from July 12, 2024.

She joined our Group in June 2006 and was promoted to director of General Affairs in April 2024, responsible for administrative management of the office of president, coordination of inter department and regulatory compliance.

She graduated from the Chartered Governance Institute in the United Kingdom in November 2023. She obtained a master’s degree in corporate governance from the Hong Kong Metropolitan University in September 2023.

Ms. Yeung Siu Lam (楊兆琳) was appointed as a joint company secretary of our Company with effect from July 12, 2024. Ms. Yeung is a senior manager of company secretarial services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Yeung has over seven years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Yeung is currently the company secretary of Kantone Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1059).

DIRECTORS AND SENIOR MANAGEMENT

Ms. Yeung is an associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Ms. Yeung obtained a bachelor’s degree in arts from The University of Hong Kong in December 2016 and a master’s degree in corporate governance from The Open University of Hong Kong in November 2020.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Company offers the executive Directors and senior management, as its employees, with remuneration in the form of fees, wages, salaries, discretionary bonuses, pension contributions, housing funds, medical insurances, other social insurances, share-based compensation expenses and other employee benefits. Independent non-executive Directors will receive compensation according to their duties (including serving as members or chairmen of the Board Committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals. We also adopted the [REDACTED] Share Option Scheme and Share Option Scheme to attract, retain and motivate employees. For further details of the [REDACTED] Share Option Scheme and Share Option Scheme, please see the section headed “Statutory and General Information — E. [REDACTED] Share Option Scheme” and “F. Share Option Scheme” in Appendix IV to this document.

For the years ended March 31, 2022, 2023, and 2024, the aggregate remuneration paid to our Directors (including [fees, wages, salaries, discretionary bonuses, pension contributions, housing funds, medical insurances, other social insurances, and share-based compensation expenses]) was approximately RMB14.3 million, RMB15.8 million and RMB17.1 million, respectively. For remuneration details of all Directors during the Track Record Period, please refer to Note 33 to the Accountant’s Report as set out in Appendix I to this document.

Under the arrangements currently in force at the date of this document, it is estimated that the aggregate amount of remuneration of our Directors (excluding discretionary bonuses) for the year ending March 31, 2025 will be approximately RMB12.2 million.

The five individuals whose emoluments were the highest in our Group include three, three and three Directors for the years ended March 31, 2022, 2023, and 2024, respectively. For the years ended March 31, 2022, 2023, and 2024 the aggregate amount of remuneration in the form of wages, salaries, discretionary bonuses, pension contributions, housing funds, medical insurances, other social insurances, share-based compensation expenses and other employee benefits paid to the remaining non-director individuals whose emoluments were the highest in our Group were RMB4.8 million, RMB5.0 million and RMB11.0 million, respectively. For remuneration details of the five individuals whose emoluments were the highest in our Group during the Track Record Period, please refer to Note 10 to the Accountant’s Report as set out in Appendix I to this document.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, (i) no remuneration was paid to our Directors or the five individuals whose emoluments were the highest in our Group as an inducement to join, or upon joining our Group, (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five individuals whose emoluments were the highest in our Group for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group, and (iii) none of our Directors waived any remuneration. Save as disclosed above, during the Track Record Period, there were no other payments paid or payable to our Directors or five individuals whose emoluments were the highest in our Group by the Company or any of its subsidiaries.

Each of our executive Directors has entered into a service contract with us on [●] 2024, and we have also entered into letters of appointment with each of our independent non-executive Directors on [●] 2024. For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed “D. Further Information of our Directors and substantial Shareholders — 1. Directors’ Service Contracts and Appointment Letters” in Appendix IV to this document.

CORPORATE GOVERNANCE

The Company has established three Board Committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, with effect from the [REDACTED]. The Board Committees operate in accordance with written terms of reference approved by our Board of Directors.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee consists of Mr. Tao Chi Keung, Mr. Nagy Guillaume Nicolas Sébastien and Ms. Chan Soh Cheng. Mr. Tao Chi Keung being the chairperson of the Audit Committee, holds the appropriate professional qualifications/accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review the financial controls and the internal control and risk management systems of our Group, monitor the integrity of the Company’s financial statements, review and monitor the external auditor’s independence and objectivity and effectiveness of the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of Mr. Nagy Guillaume Nicolas Sébastien, Ms. Lam King and Mr. Tao Chi Keung. Mr. Nagy Guillaume Nicolas Sébastien is the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, without limitation, the following: (i) making recommendations to the Board on our policy and

DIRECTORS AND SENIOR MANAGEMENT

structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management, or alternatively, making recommendations to the Board on such remuneration packages; and (iii) reviewing performance-related elements of the total remuneration package for executive Directors to align their interests with those of Shareholders.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The Nomination Committee consists of Mr. Lau Kui Wing, Mr. Tao Chi Keung and Ms. Chan Soh Cheng. Mr. Lau Kui Wing is the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board of Directors on matters relating to the appointment of Directors.

Board Diversity Policy

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out our objectives and approach to achieve and maintain diversity of the Board. Pursuant to this policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Board comprises seven Directors, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of gender, knowledge, skills and experience, including but not limited to management, sales, brand management, retail, accounting and finance. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies our board diversity policy, and the Board and the Nomination Committee of our Company will assess the Board composition regularly.

Our Nomination Committee is responsible for reviewing the diversity of the Board. After [REDACTED], our Nomination Committee will continue to monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels.

DIRECTORS AND SENIOR MANAGEMENT

Corporate Governance Code

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company has adopted and intends to comply with the code provisions stated in the Corporate Governance Code set out in Appendix C1 to the Listing Rules after [REDACTED].

Compliance Adviser

We have appointed Alliance Capital Partners Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in July 2024, and (ii) understands his/her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme, and any options which may be granted under the Share Option Scheme, the following persons will have interests and/or short positions in our Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of the Substantial Shareholder	Capacity/Nature of Interest	Immediately following the completion of the Capitalization Issue and the [REDACTED] ⁽²⁾	
		Number of Shares ⁽¹⁾	Approximate percentage of shareholding in our Company
Eternal International	Beneficial owner	[REDACTED]	[REDACTED]%
Mr. Lau	Interest in controlled corporation ⁽³⁾⁽⁴⁾	[REDACTED]	[REDACTED]%
Mrs. Lau	Interest of spouse ⁽⁴⁾	[REDACTED]	[REDACTED]%

Notes:

- (1) All interests stated are long positions.
- (2) Assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme.
- (3) Eternal International is owned as to 90% by Mr. Lau and 10% by Mrs. Lau. By virtue of the SFO, Mr. Lau is therefore deemed to be interested in all the Shares in which Eternal International is interested in.
- (4) Mrs. Lau is the spouse of Mr. Lau. By virtue of the SFO, Mrs. Lau is therefore deemed to be interested in all the Shares that Mr. Lau is interested in.

Except as disclosed above, our Directors are not aware of any persons who will, immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 or 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company). Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and the [REDACTED].

Authorized Share Capital

As of the Latest Practicable Date, our authorized share capital was HK\$380,000 divided into 380,000,000 shares with par value of HK\$0.001 each.

Issued Share Capital

Assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the [REDACTED] will be as follows:

	<i>HK\$</i>	Approximate Percentage of Issued Share Capital <i>(%)</i>
2 Shares in issue as at the date of this document	0.002	0.00
[REDACTED] Shares to be issued under the Capitalization Issue	[REDACTED]	[REDACTED]
[REDACTED] New Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] Shares in total	[REDACTED]	100.00

SHARE CAPITAL

Assuming the [REDACTED] is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the [REDACTED] will be as follows:

	<i>HK\$</i>	Approximate Percentage of Issued Share Capital
		(<i>%</i>)
2 Shares in issue as at the date of this document	0.002	[0.00]
[REDACTED] Shares to be issued under the Capitalization Issue	[REDACTED]	[REDACTED]
[REDACTED] New Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] Shares in total	[REDACTED]	100.00

ASSUMPTIONS

The above tables assume that the [REDACTED] becomes unconditional, and Shares are issued pursuant to the Capitalization Issue and the [REDACTED]. The above tables also do not take into account any Shares that may be issued pursuant to (i) the exercise of the options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme, and (ii) Shares that may be issued or repurchased by our Company under the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKINGS

The [REDACTED] will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by Shareholders’ ordinary resolution (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, subject to the provisions of the Cayman Companies Act and the Memorandum and Articles of Association, our Company may by special resolution of our Shareholders reduce our share capital or capital redemption reserve fund. For details, see “Summary of Constitution of the Company and Cayman Island Company Law — 2. Articles of Association — (iii) Alteration of capital” in Appendix III to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in aggregate not exceeding:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] Option is not exercised and without taking into account any Share that may be issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and options which may be granted under the Share Option Scheme); and
- (b) the aggregate number of issued Shares which may be repurchased by our Company (if any) under the mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting; or
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to allot, issue and deal with our Shares, please see “Statutory and General Information — A. Further Information about our Group — 4. Resolutions in writing of our Shareholders passed on [●] 2024” in Appendix IV to this document.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase Shares in the number not exceeding 10% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Share which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information — A. Further information about our Group — 5. Repurchase of our Shares” in Appendix IV to this document.

This mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting; or
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to repurchase Shares, please see “Statutory and General Information — A. Further Information about our Group — 4. Resolutions in writing of our Shareholders passed on [●] 2024” in Appendix IV to this document.

[REDACTED] SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Our Company adopted the [REDACTED] Share Option Scheme on June 18, 2024 and conditionally adopted Share Option Scheme on [●] 2024. For further details of the [REDACTED] Share Option Scheme and Share Option Scheme, see “Statutory and General Information — E. [REDACTED] Share Option Scheme” and “F. Share Option Scheme” in Appendix IV to this document, respectively.

FINANCIAL INFORMATION

You should read the following discussion in conjunction with the combined financial statements and the notes thereto included in the Accountant’s Report in Appendix I to this document which has been prepared in accordance with HKFRSs, and the selected historical financial information and operating data included elsewhere in this document.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed “Risk Factors” and “Forward-Looking Statements” and elsewhere in this document.

OVERVIEW

We are the largest brand management company of perfumes in the combined markets of mainland China, Hong Kong and Macau in terms of retail sales in 2023. We have a large and diverse portfolio of iconic brands of not only perfumes, but also color cosmetics, skincare products, personal care products, eyewear and home fragrances under management.

We manage and operate global brands covering the entire business process, including strategic selection of brand and product, market and consumer analysis, business development and expansion plans, product procurement, inventory management, logistics, warehousing, marketing, sales and distribution, and consumer relationship management. Accordingly, we occupy an important segment in the global industrial value chain for perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. Our business primarily comprises two key components that enable global brands to gain a foothold and continue to expand their presence and penetration in mainland China, Hong Kong and Macau, namely, (i) market deployment, in which we conduct market and consumer analysis, and prepare business development and expansion plans for the brands we manage; and (ii) procurement and distribution of their branded products in mainland China, Hong Kong and Macau, in which we distribute the products to a wide range of consumers through our omni-channel sales and distribution network.

We have a comprehensive sales and distribution network that covers almost all possible access for perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances in mainland China, Hong Kong and Macau. During the Track Record Period, our sales and distribution network consisted of (i) direct sales channels, which included retailer channels that consisted of online retailers and offline retailers, and self-operated sales channels that consisted of online stores and offline stores/counters; and (ii) distribution channels, which included online distributors and offline distributors.

FINANCIAL INFORMATION

For the years ended March 31, 2022, 2023 and 2024, our revenue amounted to RMB1,674.7 million, RMB1,699.1 million and RMB1,863.8 million, respectively. For the same years, we generated a majority of our revenue from perfumes, which accounted for approximately 89.3%, 88.5% and 81.7% of our total revenue, respectively. For the same years, the majority of our revenue derived from sales made through direct sales channels, which accounted for 69.7%, 64.7% and 69.3%, respectively, of our total revenue. For the years ended March 31, 2022, 2023 and 2024, we recorded net profit of RMB170.9 million, RMB173.1 million and RMB206.5 million, respectively.

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Group’s business and historical financial condition and results of operations are affected by a number of important factors, which we believe will continue to affect our financial condition and results of operations in the future. These factors primarily include:

Macro Economic Environment and the Development of the Industries Where We Operate

Our business and operating results are affected by the general factors affecting the cosmetics industry, which encompasses perfumes, skincare products, color cosmetics and personal care products, and the eyewear and home fragrances industries, which include:

- the development of the macro economy in mainland China, Hong Kong and Macau;
- changes in per capita disposable income and per capita expenditure on perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances;
- evolving consumption patterns and habits in mainland China, Hong Kong and Macau, especially relating to cosmetics, including perfumes, skincare products, color cosmetics, personal care products, and eyewear and home fragrances;
- continuous growth and evolving online and offline competitive landscape of the cosmetics industry, including the markets for cosmetics, including perfumes, skincare products, color cosmetics, personal care products, and eyewear and home fragrances markets in mainland China, Hong Kong and Macau; and
- governmental policies, initiatives and incentives affecting the cosmetics industry, eyewear industry and home fragrances industry in mainland China, Hong Kong and Macau.

Unfavorable changes and any challenges in any of these general industry conditions could materially and adversely affect demand for the products we sell, and therefore materially and adversely affect our results of operations.

FINANCIAL INFORMATION

Consumer Demand and Consumption Patterns

Our results of operation are also affected by the consumer demand and consumption patterns in the industries where we operate, which in turn largely depend on the growth of the disposable income in mainland China, Hong Kong and Macau as well as other factors that may contribute significantly to the changes in our sales. During the Track Record Period, we have benefitted from an increased demand for the products we sell as a result of the continued growth of the perfumes, skincare, color cosmetics, personal care, eyewear and home fragrance industries in China. According to Frost & Sullivan, (i) the market size of perfumes industry in China in terms of retail sales increased from RMB11.4 billion in 2018 to RMB22.9 billion in 2023, representing a CAGR of approximately 15.0%; (ii) the market size of skincare products industry in China in terms of retail sales increased from RMB309.7 billion in 2018 to RMB463.0 billion in 2023, representing a CAGR of approximately 8.4%; (iii) the market size of color cosmetics industry in China in terms of retail sales increased from RMB93.0 billion in 2018 to RMB116.8 billion in 2023, representing a CAGR of approximately 4.7%; (iv) the market size of personal care industry in China in terms of retail sales increased from RMB202.2 billion in 2018 to RMB268.5 billion in 2023, representing a CAGR of approximately 5.8%; (v) the market size of eyewear industry in China in terms of retail sales increased from RMB83.4 billion in 2018 to RMB91.3 billion in 2023, representing a CAGR of approximately 1.8%; and (vi) the market size of home fragrance industry in China in terms of retail sales increased from RMB1.7 billion in 2018 to RMB6.4 billion in 2023, representing a CAGR of approximately 30.4%.

A slowdown or reversal of the market development trends and any change of consumers’ demand could have a material and adverse effect on the demand for the products we promote and sell. According to Frost & Sullivan, the demands of the middle class and younger generation in China for beauty and personality expression associated with the development of olfactory economy have become the key growth drivers in China’s cosmetics industry. In addition, we are subject to the changes in economic conditions affecting the level of consumer spending on the products we sell. Consumer spending patterns are affected by, among other factors, business conditions, interest rates, taxation, local economic conditions, uncertainties about future economic prospects and shifts in discretionary spending. For details, please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — We are dependent on the consumers’ spending on, and their demand for, the products we sell. A reduction in their spending or demand could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects” in this document.

Brand Licensors and Brands and Products Portfolio

The quality and quantity of the brands and branded products in our portfolio are significant to our business and results of operations, and our ability to maintain our revenue growth and profitability. We primarily sell a wide variety of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances under numerous brands in mainland China, Hong Kong and Macau. Our profitability is affected by the mix of the brands and products we offer. To maintain and continuously expand our brands and products portfolio, we need to obtain licenses from and renew licenses with our brand licensors to manage the

FINANCIAL INFORMATION

brands and products. We negotiate with brand licensors to offer different product mixes and product pricing strategies, which may entail different terms on discounts and rebates, sales targets, credit and limitations on distribution areas and channels. We rely on our brand licensors to provide us with sufficient quantities of high-quality products that meet consumers demand. We strive to maintain an optimal brand and product portfolio by strengthening our strategic business relationships with our existing brand licensors and adding new brands and products to our brand and product portfolio.

During the Track Record Period, the majority of revenue of our Group was generated from the sales of perfumes, which accounted for approximately 89.3%, 88.5% and 81.7% of our total revenue for the years ended March 31, 2022, 2023 and 2024, respectively. For the same years, the revenue generated by sales of skincare products, color cosmetics and eyewear products accounted for 4.4%, 5.1% and 6.1%, 3.9%, 4.0% and 10.4%, and 0.2%, 0.5% and 1.2%, respectively, of our total revenue. The gross profit of the perfumes amounted to RMB740.1 million, RMB738.0 million and RMB739.2 million for the years ended March 31, 2022, 2023 and 2024, respectively, and the gross profit margin of perfumes was 49.5%, 49.1% and 48.5% for the same years, respectively. As such, our Directors consider that a change of product portfolio could affect our business and results of operations.

Expanding and Maintaining Our Sales and Distribution Network

We have an extensive omni-channel sales and distribution network with high penetration in both offline and online channels. Our sales channels cover almost all possible access to consumers for the products we offer in mainland China, Hong Kong and Macau, including (i) direct sales channels, in which we sell products to online and offline retailers, or directly to consumers through our self-operated online and offline stores or counters; and (ii) distribution channels, in which we sell products to online and offline distributors.

For the years ended March 31, 2022, 2023 and 2024, the revenue generated by our direct sales channels amounted to RMB1,167.3 million, RMB1,099.8 million and RMB1,292.1 million, which accounted for approximately 69.7%, 64.7% and 69.3% of the total revenue, respectively, for the same years. Among the direct sales channels, our online retailers and key accounts made important contribution to our revenue during the Track Record Period, which accounted for 22.1%, 21.0% and 17.6%, and 21.2%, 18.6% and 20.4% of our total revenue for the years ended March 31, 2022, 2023 and 2024, respectively. As such, significant changes in our business relationships with online retailers and key accounts could affect our revenue and profitability. For the years ended March 31, 2022, 2023 and 2024, the revenue generated by our distribution channels amounted to RMB469.7 million, RMB567.2 million and RMB560.5 million, which accounted for approximately 28.1%, 33.4% and 30.1% of our total revenue, respectively, for the same years.

FINANCIAL INFORMATION

We plan to further expand our self-operated sales channels in China, especially offline counters and stores. Please refer to the section headed “Business — Our Business Strategies — Extend our consumer reach through continued investment in our self-operated retailer channels” in this document for details. For the years ended March 31, 2022, 2023 and 2024, revenue generated by our self-operated sales channels accounted for approximately 22.9%, 19.9% and 24.0% of our total revenue, respectively, among which, revenue generated by our self-operated online stores accounted for approximately 10.0%, 7.3% and 6.8% of our total revenue, respectively, and revenue generated by our self-operated offline stores/counters accounted for approximately 12.9%, 12.6% and 17.2% of our total revenue, respectively. We expect that the expansion of our self-operated sales channels will contribute to the growth of our revenue going forward. However, in the event we are unable to execute our business expansion strategies, especially those relating to the expansion of our self-operated sales channels, our business, financial condition and results of operations could be materially and adversely affected. For details, please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — We may encounter difficulties in maintaining, expanding or optimizing our sales and distribution network” in this document.

Supply Chain Management

We generally handle all matters in the supply chain process for the products that we sourced from our brand licensors, including importation compliance, warehousing and logistics support. We procure products from the brand licensors, which are primarily based in foreign countries, according to our product procurement plans, during which process we leverage our extensive experience and expertise in the international trade to ensure that the products we source are in compliance with applicable importation and customs requirements. We have designated in-house teams to either directly or engage Independent Third-party service providers to apply for product registration, and arrange labelling and repacking according to the applicable laws and regulations in China. We may store the inventories at the warehouses leased from Independent Third Parties on a temporary basis until further logistics arrangements. In addition to leased warehouses, as of the Latest Practicable Date, we engaged an Independent Third-party warehousing service provider that provided warehousing and delivery services to us with respect to the products stored in its warehouse in Guangzhou. We primarily engage Independent Third-party logistics service providers to transport and deliver the products from our leased warehouses to our customers. Certain of our Independent Third-party logistics service providers also provide warehousing services to us, under which they deliver products procured by us and stored in their warehouses at our request.

Our ability to effectively manage and integrate resources along our supply chain is crucial to our business operation and results of operations. Leveraging our profound industry experience, we manage inventories to minimize risks relating to shortage or excess of products supply. We aim to further enhance our supply chain management capabilities to improve our operation and management efficiencies, as well as our financial performance. For details, please refer to the section headed “Business — Our Business Strategies — Accelerate digital transformation to streamline our business operations and strengthen the support for our full-cycle consumer management program” in this document.

FINANCIAL INFORMATION

Branding and Marketing Activities

The effectiveness of our branding and marketing activities is critical to our financial performance. As part of the brand building and enhancement initiatives we undertake for the brands we manage, we formulate and implement business development and expansion plans for them, which include, among other things, tailor-made marketing plans that meet the individual demands of the brand licensors. Under these plans, we choose the ideal marketing channels for promotion of products we sell, including, among others, social media platforms, online store banners on e-commerce platforms, authoritative media such as newspapers and magazines, face-to-face consumer events, exhibitions in shopping malls and roadshows. In addition, we regularly attend industry conferences and periodically publish research papers to enhance the recognition of our Group among the industry players. For further details of our branding and marketing activities, please refer to the section headed “Business — Marketing and Promotion” in this document. For the years ended March 31, 2022, 2023 and 2024, our advertising and promotion expenses amounted to RMB210.1 million, RMB113.5 million and RMB80.3 million, which accounted for approximately 12.5%, 6.7% and 4.3% of our total revenue for the same years, respectively. We intend to continue to efficiently utilize our available resources and lower the proportion of advertising and promotion expenses to our total revenue, while keeping the branding and marketing initiatives effective in driving our revenue and business expansion. Our failure to do so could materially and adversely affect our business and results of operation.

BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared under the historical cost convention, except for financial asset at fair value of profit or loss (“FVPL”), which is measured at fair value. The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4 to the Accountant’s Report in Appendix I to this document. The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated. The Historical Financial Information have been prepared in accordance with HKFRSs issued by HKICPA. HKFRSs comprise the following authoritative literature: (i) Hong Kong Financial Reporting Standards; (ii) Hong Kong Accounting Standards; and (iii) Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

Historically, our business in Hong Kong was mainly conducted through Eternal Far East and Visual Promotion, which was 100% beneficially owned by Mr. Lau. As Visual Promotion and our Group were under common control of Mr. Lau throughout the Track Record Period, certain assets, liabilities and results of operations relating to the business of Visual Promotion during the Track Record Period were included in the financial information of our Group. During the Track Record Period, in order to streamline our Group’s structure and to conduct its business under the “Eternal” brand, we gradually diminished the business scale of Visual Promotion and it ceased to conduct any business since April 2024. Given that it no longer conducts any business and we expect to deregister such company, we have not included Visual Promotion in our Group. Please refer to section headed “History, Development and Corporate Structure — Corporate Development and Reorganization” and notes 1.2 and 1.3 to the Accountant’s Report in Appendix I to this document for further details.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICIES

We have identified certain accounting policies that we believe are most material to the preparation of our combined financial statements. Some of our material accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We set forth below those accounting policies that we believe are of critical importance to us or involve significant estimates, assumptions and judgements in the preparation of our financial statements. Our material accounting policies are set out in respective notes in the Accountant’s Report and key estimation uncertainty are set forth in detail in notes 4 of the Accountant’s Report included in Appendix I to this document.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts granted. Discounts granted to customers are classified as a reduction of revenue. Our Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to our Group, and when specific criteria have been met for each of our Group’s activities as described below.

Sales of Goods

Our Group operates a chain of retail stores and consignment counters in mainland China, Hong Kong and Macau selling perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. Revenue from the sale of goods is recognized when control of the products has been transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the products.

Our Group also engages in the wholesale and distribution of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances to retailers and distributors in mainland China and Hong Kong. Sales are recognized when the control of the products has been transferred, namely, when the products are delivered to the retailers and distributors, the retailers and distributors have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the acceptance of the products by the retailers and distributors.

FINANCIAL INFORMATION

Service Income

Our Group operates and manages the daily operation of the online and offline stores of certain customers under their brand names and charges service fee in connection therewith. Revenue from rendering of services is recognized over the period in which the services are rendered.

Sales Rebates

Retrospective sales rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are recognized in contract liabilities of our Group. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. Accumulated experience is used to estimate the provision for the sales rebates and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Sales Returns

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount to which our Group will be entitled. Refund liabilities, which are reduced from revenue, are estimated based on historical data our Group has maintained and subject to adjustments to the extent that actual returns differ or expected to differ.

Contract Liabilities

When either party to a contract has performed, the Group presents the contract in the statement of financial position as contract assets or contract liabilities, depending on the relationship between our Group’s performance and the customer’s payment. Contract liabilities are our Group’s obligation to transfer products or services to its customer for which the Group has received consideration from the customer.

Property, Plant and Equipment

Our Group’s property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

FINANCIAL INFORMATION

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial year of the Track Record Period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, where appropriate, over their estimated useful lives, as follows:

<u>Leasehold Improvements</u>	<u>Over 3 Years or Remaining Period of the Lease, Whichever is Shorter</u>
Buildings	2-3%
Air-conditioning plant	10%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	25%
Motor vehicles	33%

Financial Assets

Our Group classifies its financial assets to be measured at amortised cost, except for financial assets at fair value through profit and loss. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Regular purchases and sales of financial assets are recognized on trade-date, the date on which our Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and our Group has transferred substantially all the risks and rewards of ownership.

Trade and Other Receivables

Trade and other receivables are amounts due from customers for the merchandise sold or services performed by Our Group in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the

FINANCIAL INFORMATION

business if longer), they are classified as current assets. If no, they are presented as non-current assets. Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Current and Deferred Income Tax

The tax expense for the year comprises current and deferred income tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Income Tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where our Group operates and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. Our Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each Track Record Period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where our Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

FINANCIAL INFORMATION

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognized when our Group has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, for which the amount of the provision has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of our management's best estimate of the expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Leases

Our Group leases various offices, warehouses, shops, counters, copy machines and leasehold land. Rental contracts are typically made for fixed periods of 1 year to 3 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by our Group.

FINANCIAL INFORMATION

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, our Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by our Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

FINANCIAL INFORMATION

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If our Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset’s useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Our Group has adopted Amendment to HKFRS 16 — Covid-19-Related Rent Concessions from April 1, 2021. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2022; and c. there is no substantive change to other terms and conditions of the lease.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of Non-financial Assets

Our management assesses at the end of each reporting period whether there is objective evidence that the investments in non-financial assets, including property, plant and equipment, right-of-use assets and intangible assets, are impaired. The assessment of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the assets and impairment in the period in which such estimates have been changed.

FINANCIAL INFORMATION

Net Realizable Value of Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Our management reassesses these estimates at the end of each reporting date.

Provision of Financial Assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. Our Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on our Group’s past history, existing marketing conditions as well as forward looking estimates at the end of each reporting period.

Current and Deferred Income Taxes

Our Group is subject to income tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for income tax in each of these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when our management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Deferred tax liabilities relating to temporary differences between the carrying amount and tax bases of investments in foreign operations are not recognized where we are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets/liabilities and taxation charges in the period in which such estimate is changed.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The table below presents a summary of our combined statement of profit or loss and comprehensive income for the financial years indicated:

	For the Year Ended March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,674,654	1,699,144	1,863,761
Cost of sales	<u>(813,221)</u>	<u>(843,153)</u>	<u>(925,570)</u>
Gross profit	861,433	855,991	938,191
Selling and marketing expenses	(537,389)	(457,520)	(514,569)
Administrative expenses	(157,699)	(169,954)	(202,670)
Provision for impairment of financial assets	(489)	(622)	(474)
Other income	13,382	12,057	12,346
Other gains/(losses), net	<u>32,908</u>	<u>(16,818)</u>	<u>(1,272)</u>
Operating profit	<u>212,146</u>	<u>223,134</u>	<u>231,552</u>
Finance income	7,786	6,468	8,063
Finance costs	<u>(2,261)</u>	<u>(2,667)</u>	<u>(4,034)</u>
Finance income, net	<u>5,525</u>	<u>3,801</u>	<u>4,029</u>
Share of loss of a joint venture	<u>–</u>	<u>–</u>	<u>(2,964)</u>
Profit before income tax	217,671	226,935	232,617
Income tax expense	<u>(46,784)</u>	<u>(53,829)</u>	<u>(26,144)</u>
Profit for the year	<u>170,887</u>	<u>173,106</u>	<u>206,473</u>
Other comprehensive (loss)/income			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations	<u>(28,898)</u>	<u>39,148</u>	<u>17,333</u>
Total comprehensive income for the year	<u>141,989</u>	<u>212,254</u>	<u>223,806</u>
Earnings per share attributable to owners of the Company*			
Basic and diluted (expressed in RMB per share)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note:

* No earnings per share information is presented as its inclusion, for the purpose of the Accountant’s Report in Appendix I to this document, is not considered meaningful due to (i) the Corporate Reorganization; and (ii) the presentation of the results for the Track Record Period on a combined basis as disclosed in note 1.3 to the Accountant’s Report in Appendix I to this document.

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Revenue

Revenue by Product

During the Track Record Period, we generated revenue primarily from the sales of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. For the years ended March 31, 2022, 2023 and 2024, our revenue amounted to RMB1,674.7 million, RMB1,699.1 million and RMB1,863.8 million, respectively. The following table sets forth a breakdown of our revenue by product category for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Perfumes ⁽¹⁾	1,495,512	89.3	1,504,184	88.5	1,523,737	81.7
Skincare products	73,223	4.4	87,136	5.1	114,355	6.1
Color cosmetics	64,633	3.9	67,932	4.0	193,008	10.4
Eyewear	3,686	0.2	7,679	0.5	21,458	1.2
Others ⁽²⁾	37,600	2.2	32,213	1.9	11,203	0.6
Total	1,674,654	100.0	1,699,144	100.0	1,863,761	100.0

Notes:

- (1) The revenue generated from our sales of personal care products and home fragrances was primarily recorded under “perfumes” during the Track Record Period because certain perfume brands we managed also offered personal care products and/or home fragrances, and the amount of revenue generated from our sales of these products was insignificant during the Track Record Period.
- (2) During the Track Record Period, we operated and managed the daily operations of the online and offline stores under their respective brand names for certain of our customers and charged service fee in connection therewith. Others mainly include the service income derived from the charges arising from such agency services.

For the years ended March 31, 2022, 2023 and 2024, we generated a majority of our revenue from the sales of perfumes, which amounted to RMB1,495.5 million, RMB1,504.2 million and RMB1,523.7 million, representing 89.3%, 88.5% and 81.7% of our total revenue, respectively. For the same years, the amount of revenue from the sales of skincare products and color cosmetics amounted to RMB73.2 million, RMB87.1 million and RMB114.4 million, and RMB64.6 million, RMB67.9 million and RMB193.0 million, respectively, representing 4.4%, 5.1% and 6.1%, and 3.9%, 4.0% and 10.4% of our total revenue, respectively.

During the Track Record Period, a small amount of revenue generated by perfumes and eyewear was contributed by our self-owned brand, Santa Monica, which amounted to RMB1.0 million, RMB5.3 million and RMB17.0 million for the years ended March 31, 2022, 2023 and 2024, respectively, representing 0.1%, 0.3% and 0.9% of our total revenue, respectively.

FINANCIAL INFORMATION

Revenue by Channel

In terms of sales and distribution channels, our revenue mainly consists of the sales derived from direct sales channels and distribution channels. The following table sets forth a breakdown of our revenue by sales and distribution channels for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct sales channels						
• Retailer channels	784,809	46.8	761,140	44.8	844,749	45.3
— Online retailers ⁽¹⁾	371,815	22.1	356,427	21.0	327,627	17.6
— Offline retailers	412,994	24.7	404,713	23.8	517,122	27.7
a. Key accounts ⁽²⁾	354,647	21.2	315,656	18.6	380,481	20.4
b. Travel retailers ⁽³⁾	58,347	3.5	89,057	5.2	136,641	7.3
• Self-operated channels	382,501	22.9	338,617	19.9	447,330	24.0
— Online stores ⁽⁴⁾	167,052	10.0	123,786	7.3	126,144	6.8
— Offline stores/counters	215,449	12.9	214,831	12.6	321,186	17.2
Subtotal	<u>1,167,310</u>	<u>69.7</u>	<u>1,099,757</u>	<u>64.7</u>	<u>1,292,079</u>	<u>69.3</u>
Distribution channels⁽⁵⁾						
• Online distributors	255,988	15.3	254,832	15.0	216,322	11.6
• Offline distributors	213,756	12.8	312,342	18.4	344,157	18.5
Subtotal	<u>469,744</u>	<u>28.1</u>	<u>567,174</u>	<u>33.4</u>	<u>560,479</u>	<u>30.1</u>
Others ⁽⁶⁾	37,600	2.2	32,213	1.9	11,203	0.6
Total	<u>1,674,654</u>	<u>100.0</u>	<u>1,699,144</u>	<u>100.0</u>	<u>1,863,761</u>	<u>100.0</u>

Notes:

- (1) The information was prepared by our finance team based on sales agreements with the online retailer customers to the extent available or internal records prepared by our sales team and reviewed by our finance team.
- (2) The information was prepared by our finance team based on sales agreements with the key accounts customers to the extent available or internal records prepared by our sales team and reviewed by our finance team.
- (3) The information was prepared by our finance team based on sales agreements with the travel retailer customers.
- (4) The information was prepared by our finance team based on the internal records prepared by our sales team and reviewed by our finance team.
- (5) The information was prepared by our finance team based on the distribution agreements with the distributors to the extent available or internal records prepared by our sales team and reviewed by our finance team.
- (6) During the Track Record Period, we operated and managed the daily operations of the online and offline stores under their respective brand names for certain of our customers and charged service fee in connection therewith. Others primarily include service income deriving from charges arising from such agency services.

FINANCIAL INFORMATION

For the years ended March 31, 2022, 2023 and 2024, we generated a majority of our revenue from direct sales channels, which amounted to RMB1,167.3 million, RMB1,099.8 million and RMB1,292.1 million, representing 69.7%, 64.7% and 69.3% of our total revenue, respectively.

Revenue generated from our online channels, which consist of online retailers, self-operated online stores and online distributors, amounted to RMB794.9 million, RMB735.0 million and RMB670.1 million, respectively, for the years ended March 31, 2022, 2023 and 2024, which accounted for approximately 47.5%, 43.3% and 36.0%, respectively, of our total revenue for the same years. Revenue generated from our offline channels, which consist of offline retailers, self-operated offline stores and offline distributors, amounted to RMB842.2 million, RMB931.9 million and RMB1,182.5 million, respectively, for the years ended March 31, 2022, 2023 and 2024, and accounted for 50.3%, 54.8% and 63.4%, respectively, of our total revenue for the same years.

Revenue generated from our retailer channels amounted to RMB784.8 million, RMB761.1 million and RMB844.7 million for the year ended March 31, 2022, 2023 and 2024, respectively, which accounted for 46.8%, 44.8% and 45.3%, respectively, of our total revenue for the same years.

Revenue generated from our self-operated sales channels amounted to RMB382.5 million, RMB338.6 million and RMB447.3 million for the year ended March 31, 2022, 2023 and 2024, respectively, which accounted for 22.9%, 19.9% and 24.0%, respectively, of our total revenue for the same year.

Revenue generated from our distribution channels amounted to RMB469.7 million, RMB567.2 million and RMB560.5 million for the year ended March 31, 2022, 2023 and 2024, which accounted for 28.1%, 33.4% and 30.1%, respectively, of our total revenue for the same year.

In addition, we generated service income during the Track Record Period, mainly comprising the service fee we received from certain customers for operating and managing the daily operations of online and offline stores/counters for them. For the years ended March 31, 2022, 2023 and 2024, our total service income amounted to RMB37.6 million, RMB32.2 million and RMB11.2 million, respectively, which accounted for 2.2%, 1.9% and 0.6%, respectively, of our total revenue.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales primarily include (i) cost of goods sold, which mainly consists of the cost of procuring the products we sell and related customs tax; (ii) staff cost, which primarily represent the fees associated with the provision of our agency services for certain of our customers; and (iii) others, which primarily include the provision we make for possible decrease of the number of products we have in stock, transportation expenses associated with our procurement of products from our suppliers, and business tax and surcharges relating to our inventories. For the years ended March 31, 2022, 2023 and 2024, our cost of sales amounted to RMB813.2 million, RMB843.2 million and RMB925.6 million, respectively. The following table sets forth the components of the cost of sales and the components as a percentage of the total cost of sales for the years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Cost of goods sold . . .	782,710	96.3	801,337	95.0	891,178	96.3
Staff cost	14,748	1.8	15,878	1.9	8,407	0.9
Others	15,763	1.9	25,938	3.1	25,985	2.8
Total	<u>813,221</u>	<u>100.0</u>	<u>843,153</u>	<u>100.0</u>	<u>925,570</u>	<u>100.0</u>

Gross Profit and Gross Profit Margin

Our gross profit was RMB861.4 million, RMB856.0 million and RMB938.2 million for the years ended March 31, 2022, 2023 and 2024, respectively. Our gross profit margin was 51.4%, 50.4% and 50.3% for the same years, respectively.

In terms of products, the majority of our gross profit was generated by the sales of perfumes, which amounted to RMB740.1 million, RMB738.0 million and RMB739.2 million for the years ended March 31, 2022, 2023 and 2024, respectively. The gross profit margin for the sales of perfumes amounted to 49.5%, 49.1% and 48.5% for the same years, respectively.

FINANCIAL INFORMATION

The following table sets forth our gross profit and gross profit margin by sales channels for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>GP</i>	<i>GP</i>	<i>GP</i>	<i>GP</i>	<i>GP</i>	<i>GP</i>
		<i>Margin</i>		<i>Margin</i>		<i>Margin</i>
Direct sales channels						
• Retailer channels						
– Online retailers	183,677	49.4	183,065	51.4	155,212	47.4
– Offline retailers						
a. Key accounts	169,391	47.8	138,670	43.9	178,874	47.0
b. Travel retailers	25,714	44.1	41,390	46.5	61,889	45.3
• Self-operated channels						
– Online stores	109,439	65.5	75,068	60.6	79,197	62.8
– Offline stores/counters . . .	150,036	69.6	153,578	71.5	229,645	71.5
Subtotal	<u>638,257</u>	<u>54.7</u>	<u>591,771</u>	<u>53.8</u>	<u>704,817</u>	<u>54.5</u>
Distribution channels						
• Online distributors	119,388	46.6	125,382	49.2	101,456	46.9
• Offline distributors	<u>96,699</u>	<u>45.2</u>	<u>148,441</u>	<u>47.5</u>	<u>155,107</u>	<u>45.1</u>
Subtotal	<u>216,087</u>	<u>46.0</u>	<u>273,823</u>	<u>48.3</u>	<u>256,563</u>	<u>45.8</u>

* For illustrative purpose only. The gross profit and gross profit margin of the sales channels are calculated by subtracting cost of goods sold from the sales of goods for each sale channel.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of (i) employee benefits expenses, mainly comprising salaries and benefits of our sales and marketing staff; (ii) advertising and promotion expenses relating to our marketing and promotional activities; (iii) expenses relating to variable lease payments mainly relating to the lease payments for our self-operated offline stores/counters; (iv) amortization of right-of-use assets, which primarily represent amortization for the leases of our self-operated stores and counters; and (v) others, which primarily consist of the payments to third-party firms that provided outsourced labor to us in connection with our sales and marketing activities. The following table sets forth the components of our selling and marketing expenses and the components as a percentage of total selling and marketing expenses for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee benefit expenses	177,815	33.1	198,685	43.3	241,451	47.0
Advertising and promotion expenses, net of reimbursement received.	210,129	39.1	113,537	24.8	80,340	15.6
Expenses relating to short-term leases . .	20,219	3.8	24,983	5.5	27,971	5.4
Expenses relating to variable lease payments	40,249	7.5	34,570	7.6	51,700	10.0
Provision for impairment of right-of-use asset	–	–	4,704	1.0	63	*
Provision for impairment of property, plant and equipment	–	–	2,570	0.6	33	*
Travelling expenses . .	2,594	0.5	2,271	0.5	9,229	1.8
Credit card charges . .	1,155	0.2	1,603	0.4	3,088	0.6
Depreciation of property, plant and equipment	10,109	1.9	11,455	2.5	19,056	3.7
Amortization of right-of-use assets . .	18,406	3.4	30,733	6.7	39,694	7.7
Courier and delivery . .	16,288	3.0	7,898	1.7	10,445	2.0
Others	40,425	7.5	24,511	5.4	31,499	6.2
Total	<u>537,389</u>	<u>100.0</u>	<u>457,520</u>	<u>100.0</u>	<u>514,569</u>	<u>100.0</u>

* lower than 0.1%

FINANCIAL INFORMATION

Administrative Expenses

Administrative expenses primarily represent (i) employee benefits expenses, mainly comprising salaries and benefits of our administrative staff; (ii) amortization of right-of-use assets, which mainly represent the amortization of our leases of offices and warehouses; (iii) office expenses; and (iv) others, which mainly include fees and expenses derived from our administrative operations. The following table sets forth the components of our administrative expenses and the components as a percentage of total administrative expenses for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee benefit expenses	110,877	70.3	121,631	71.6	135,765	66.9
Expenses relating to short-term leases . . .	1,039	0.7	1,355	0.8	1,347	0.7
Travelling expenses . . .	1,191	0.8	1,556	0.9	4,037	2.0
Depreciation of property, plant and equipment	5,100	3.2	4,870	2.9	3,995	2.0
Amortization of right-of-use assets . .	20,598	13.1	20,156	11.9	17,941	8.9
Office expenses	10,819	6.9	11,001	6.5	11,929	5.9
Legal and professional fee	1,463	0.9	1,344	0.8	3,166	1.6
Amortization of intangible assets . . .	638	0.4	853	0.5	1,602	0.8
[REDACTED] expense	–	–	–	–	[REDACTED]	2.8
Others	5,974	3.7	7,188	4.1	17,265	8.4
Total	<u>157,699</u>	<u>100.0</u>	<u>169,954</u>	<u>100.0</u>	<u>[REDACTED]</u>	<u>100.0</u>

Provision for Impairment of Financial Assets

Our impairment of financial assets primarily represents the impairment of trade receivables, deposits and other receivables, amounts due from a joint venture, amounts due from a shareholder and amounts due from related companies. For the years ended March 31, 2022, 2023 and 2024, we recorded provision for impairment of financial assets of RMB0.5 million, RMB0.6 million and RMB0.5 million, respectively.

FINANCIAL INFORMATION

Other Income

Other income primarily represents (i) government grants, which are related to the industry support fund in the PRC and Hong Kong government’s employment support subsidy; and (ii) management fee income, which mainly represents the service fee earned by us in connection with the operation of our joint venture with Dr. Babor, B&E China. The employment support subsidy granted by the Hong Kong government in connection with the COVID-19 pandemic was one-off in nature and has been ceased in 2023. The following table sets forth the components of our other income and the components as a percentage of total other income for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Government grants . . .	13,308	99.4	11,979	99.4	10,748	87.1
Management fee income	<u>74</u>	<u>0.6</u>	<u>78</u>	<u>0.6</u>	<u>1,598</u>	<u>12.9</u>
Total	<u>13,382</u>	<u>100.0</u>	<u>12,057</u>	<u>100.0</u>	<u>12,346</u>	<u>100.0</u>

Other Gains/(Losses), Net

Our other gains and losses primarily represent foreign exchange gains and losses. The following table sets forth the components of our other gains/(losses), net for the financial years indicated:

	For the Year Ended March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gains/(losses), net	31,815	(17,429)	(1,584)
Gains/(losses) on financial asset at FVPL	296	145	(479)
Gain on early termination of lease	22	21	844
Gains/(losses) on disposal of property, plant and equipment	<u>775</u>	<u>445</u>	<u>(53)</u>
Total	<u>32,908</u>	<u>(16,818)</u>	<u>(1,272)</u>

FINANCIAL INFORMATION

Finance Income

Finance income primarily represents interest income we receive from bank deposits. The following table sets forth the components of our finance income and the components as a percentage of total finance income for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Interest income from						
bank deposits	7,721	99.2	6,468	100.0	8,063	100.0
Interest income on loan						
to a director	65	0.8	–	–	–	–
Total	7,786	100.0	6,468	100.0	8,063	100.0

Finance Costs

Finance costs principally represent interest expense on lease liabilities arising from the long-term leases of our offices, warehouses and self-operated offline stores/counters. The following table sets forth the components of our finance costs and the components as a percentage of total finance costs for the financial years indicated:

	Year ended March 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Interest expense on						
borrowings	(65)	2.9	–	–	–	–
Interest expense on						
lease liabilities	(2,196)	97.1	(2,667)	100.0	(4,034)	100.0
Total	(2,261)	100.0	(2,667)	100.0	(4,034)	100.0

Share of Loss of a Joint Venture

Share of loss of a joint venture represents the net loss incurred by B&E China, a joint venture between our Group and Dr. Babor. For the years ended March 31, 2022, 2023 and 2024, our share of loss of a joint venture amounted to nil, nil and RMB3.0 million, respectively.

FINANCIAL INFORMATION

Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the members of our Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, our Company and the subsidiaries of our Group incorporated in the Cayman Islands and BVI are not subject to any income tax.

Our business operations are primarily carried out in mainland China and Hong Kong, and therefore, we are subject to PRC corporate income tax and Hong Kong profits tax. Under the EIT Law and Implementation Regulation of the EIT Law ((《中華人民共和國企業所得稅法實施條例》), our PRC subsidiaries were subject to the PRC corporate income tax at 25% of the estimated assessable profits during the Track Record Period. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), our Hong Kong subsidiaries were subject to the Hong Kong profits tax at 16.5% of the estimated assessable profits during the Track Record Period, except for one subsidiary, which was qualified under the two-tiered profits tax rate regime, under which the first HK\$2.0 million of its assessable profits were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

The following table sets forth the breakdown of our income tax expense for the financial years indicated:

	For the year ended March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Current income tax</u>			
— Hong Kong profits tax	42,345	54,789	18,615
— PRC corporate income tax	6,672	(542)	12,618
Deferred income tax	<u>(2,233)</u>	<u>(418)</u>	<u>(5,089)</u>
Income tax expense	<u>46,784</u>	<u>53,829</u>	<u>26,144</u>

Our transfer pricing arrangement for the year ended March 31, 2024 resulted in a decrease of effective tax rate arising from the combined effect of a decrease in the taxable income of the relevant Hong Kong subsidiaries and the utilization of the remaining accumulated tax losses from our PRC subsidiaries. For details of our transfer pricing arrangement, please refer to the section headed “Business — Transfer Pricing Arrangement” in this document. During the Track Record Period and up to the Latest Practicable Date, we had no disputes or unresolved tax issues with the relevant tax authorities.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased from RMB1,699.1 million for the year ended March 31, 2023 to RMB1,863.8 million for the year ended March 31, 2024. The increase was mainly due to the overall global economic growth, and in particular the growth in the industries where we operate in mainland China, Hong Kong and Macau after the COVID-19 pandemic had ended, which was partially offset by the decrease of revenue generated by a luxury brand which contributed to approximately 25.0% of our total revenue for the year ended March 31, 2023, because the distribution agreement with the brand licensor for this brand expired in December 2022, which was not subsequently renewed.

Our revenue generated from the sales of perfumes remained relatively stable at RMB1,523.7 million for the year ended March 31, 2024 as compared with RMB1,504.2 million for the year ended March 31, 2023. Our revenue generated from the sales of skincare products increased from RMB87.1 million for the year ended March 31, 2023 to RMB114.4 million for the year ended March 31, 2024, primarily because one of the skincare brands we managed experienced a significant increase in the sales as the skincare products under this brand were sold at more POSs of one of our key accounts customers. Our revenue generated from the sales of color cosmetics increased significantly from RMB67.9 million for the year ended March 31, 2023 to RMB193.0 million for the year ended March 31, 2024, primarily because we started to manage a popular brand of color cosmetics, Laura Mercier, in January 2023. Our revenue generated from the sales of eyewear increased from RMB7.7 million for the year ended March 31, 2023 to RMB21.5 million for the year ended March 31, 2024, primarily because we adjusted the corporate strategy involving our self-owned Santa Monica branded eyewear, which enabled us to increase its sales in China.

Our revenue generated from offline channels, consisting of offline retailers, self-operated offline stores/counters and offline distributors, increased from RMB931.9 million for the year ended March 31, 2023 to RMB1,182.5 million for the year ended March 31, 2024, primarily due to the economic recovery in China after the COVID-19 pandemic had ended, which propelled offline sales to increase. Our revenue generated from online channels decreased from RMB735.0 million for the year ended March 31, 2023 to RMB670.1 million for the year ended March 31, 2024, primarily because the PRC government introduced policies to encourage offline retail shopping. Our revenue generated from retailer channels increased from RMB761.1 million for the year ended March 31, 2023 to RMB844.7 million for the year ended March 31, 2024, primarily due to (i) an increase of RMB64.8 million of revenue generated from key accounts, mainly as a result of an increase of the number of POSs of key accounts that sell the products sourced from us; (ii) an increase of RMB47.6 million of revenue generated from travel retailers, mainly because the international travels returned to normal after the COVID-19 pandemic had ended, which contributed to an increase of consumer traffic at international airports and duty-free shops, partially offset by a decrease of RMB28.8 million of revenue generated from online retailers, mainly due to the decrease of sales made on the

FINANCIAL INFORMATION

online platforms, primarily because the distribution agreement with the brand licensor of a major luxury brand expired in December 2022, and we ceased selling its branded products in June 2023, partially offset by the increase of revenue generated by the sales of certain other branded products, primarily due to our continued efforts in marketing and promotion. Our revenue generated from our self-operated sales channels increased from RMB338.6 million for the year ended March 31, 2023 to RMB447.3 million for the year ended March 31, 2024, primarily due to an increase of RMB106.4 million generated from offline stores/counters, primarily because we started to manage a popular brand of color cosmetics, Laura Mercier, in January 2023, and its products were primarily sold through offline stores/counters. Our revenue generated from distribution channels remained relatively stable at RMB560.5 million for the year ended March 31, 2024 compared to RMB567.2 million for the year ended March 31, 2023.

Cost of Sales

Our cost of sales increased from RMB843.2 million for the year ended March 31, 2023 to RMB925.6 million for the year ended March 31, 2024. The increase was mainly due to an increase of RMB89.8 million of cost of goods sold, which was in line with the increase in our revenue during the year ended March 31, 2024 that benefited from the increasing consumer demands.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB856.0 million for the year ended March 31, 2023 to RMB938.2 million for the year ended March 31, 2024.

Our gross profit margin remained relatively stable at 50.3% for the year ended March 31, 2024, compared to 50.4% for the year ended March 31, 2023. The gross profit margin of sales of perfumes remained relatively stable at 48.5% for the year ended March 31, 2024 compared to 49.1% for the year ended March 31, 2023.

Our gross profit margin of the direct sales channels remained relatively stable at 54.5% for the year ended March 31, 2024 compared to 53.8% for the year ended March 31, 2023. Our gross profit margin of distribution channels decreased from 48.3% for the year ended March 31, 2023 to 45.8% for the year ended March 31, 2024, primarily because (i) the distribution agreement with the brand licensor of a major luxury brand expired in December 2022, and we ceased selling its branded products in June 2023; and (ii) certain products sold during the year ended March 31, 2024 were procured at a relatively higher cost, mainly as a result of the relatively high exchange rate of EUR against HKD. The profit margin of the distribution channels is generally lower than that of the direct sales channels, which makes it more sensitive to the fluctuations of exchange rates.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB457.5 million for the year ended March 31, 2023 to RMB514.6 million for the year ended March 31, 2024. The increase was mainly due to (i) an increase of RMB42.8 million of employee benefits expenses, primarily because we recruited new sales and marketing staff to facilitate our increased sales and the expansion of our distribution network, and generally increased the salaries of our employees; (ii) an increase of RMB17.1 million of variable lease payment, primarily due to the increase of payments under the concession agreements with shopping malls and department stores, which were calculated as a percentage of the revenue of the relevant stores/counters in certain shopping malls and department stores. The payments under the concession agreements with shopping malls and department stores increased mainly due to the increase of the revenue generated by the relevant stores/counters; partially offset by a decrease of RMB33.2 million of advertising and promotion expenses, mainly because we were able to efficiently utilize our available resources to conduct our marketing and promotional activities.

Administrative Expenses

Our administrative expenses increased from RMB170.0 million for the year ended March 31, 2023 to RMB202.7 million for the year ended March 31, 2024. The increase was mainly due to (i) an increase of RMB14.1 million in employee benefits expenses, primarily due to the increase of salaries and benefits of our administrative staff; and (ii) an increase of RMB10.1 million in others, primarily because we organized certain internal corporate activities in 2024, such as annual dinners and corporate events that we did not organize in the previous several years due to the COVID-19 pandemic, and incurred additional expenses associated with such activities.

Provision for Impairment of Financial Assets

Our provision for impairment of financial assets remained relatively stable at from RMB0.5 million for the year ended March 31, 2024 compared to RMB0.6 million for the year ended March 31, 2023.

Other Income

Our other income remained relatively stable at RMB12.3 million for the year ended March 31, 2024 compared to RMB12.1 million for the year ended March 31, 2023.

FINANCIAL INFORMATION

Other Gains/(Losses), Net

Our other losses decreased from RMB16.8 million for the year ended March 31, 2023 to RMB1.2 million for the year ended March 31, 2024, primarily due to the decrease of RMB15.8 million in net exchange losses. This was mainly because we primarily made payments denominated in EUR to our brand licensors based in Europe through our available cash in HKD, which was then converted to EUR for the payment settlement, and the exchange rate of EUR against HKD increased since October 2022 until the middle of 2023, subsequent to which it began to decrease.

Finance Income

Our finance income increased from RMB6.5 million for the year ended March 31, 2023 to RMB8.1 million for the year ended March 31, 2024. The increase was mainly due to an increase of RMB1.6 million in our interest income from bank deposits, primarily because we made additional short-term fixed bank deposits during the year ended March 31, 2024 to take advantage of the rising interest rates for deposits in HKD and USD.

Finance Costs

Our finance costs increased from RMB2.7 million for the year ended March 31, 2023 to RMB4.0 million for the year ended March 31, 2024. The increase was mainly due to an increase of RMB1.4 million in interest expense on lease liabilities as a result of an increase of the number of our self-operated offline stores/counters leased under long-term lease with fixed deposits and rent.

Share of Loss of a Joint Venture

We recorded share of loss of a joint venture of nil and RMB3.0 million for the years ended March 31, 2023 and 2024, respectively, primarily because we established B&E China, a joint venture with Dr. Babor, in May 2023, which recorded losses during the year ended March 31, 2024 because it was at an early stage of operation.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased from RMB226.9 million for the year ended March 31, 2023 to RMB232.6 million for the year ended March 31, 2024.

FINANCIAL INFORMATION

Income Tax Expense

Our income tax expense decreased from RMB53.9 million for the year ended March 31, 2023 to RMB26.1 million for the year ended March 31, 2024. The decrease was mainly due to a decrease of RMB36.2 million in the Hong Kong profits tax, partially offset by an increase of RMB13.2 million of PRC corporate income tax recorded for the year ended March 31, 2024, primarily because of our transfer pricing arrangement for the year ended March 31, 2024, which resulted in a decrease of effective tax rate arising from an one-off combined effect of a decrease in the taxable income of the relevant Hong Kong subsidiaries and the utilization of the remaining accumulated tax losses from our PRC subsidiaries. For details of our transfer pricing arrangement, please refer to the section headed “Business — Transfer Pricing Arrangement” in this document.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB173.1 million for the year ended March 31, 2023 to RMB206.5 million for the year ended March 31, 2024.

Year Ended March 31, 2023 Compared to Year Ended March 31, 2022

Revenue

Our revenue remained relatively stable at RMB1,699.1 million for the year ended March 31, 2023 as compared to RMB1,674.7 million for the year ended March 31, 2022.

Our revenue generated from the sales of perfumes remained relatively stable at RMB1,504.2 million for the year ended March 31, 2023 compared to RMB1,495.5 million for the year ended March 31, 2022. Our revenue generated from the sales of skincare products increased from RMB73.2 million for the year ended March 31, 2022 to RMB87.1 million for the year ended March 31, 2023, primarily because the products of one of the skincare brands we managed were sold at more POSs of one of our key accounts customers. Our revenue generated from the sales of color cosmetics remained relatively stable at RMB67.9 million for the year ended March 31, 2023 compared to RMB64.6 million for the year ended March 31, 2022. Our revenue generated from the sales of eyewear increased from RMB3.7 million for the year ended March 31, 2022 to RMB7.7 million for the year ended March 31, 2023, primarily because we adjusted the corporate strategy involving our self-owned Santa Monica branded eyewear, which enabled us to increase its sales in China.

Our revenue generated by direct sales channels decreased from RMB1,167.3 million for the year ended March 31, 2022 to RMB1,099.8 million for the year ended March 31, 2023, primarily because our revenue generated from self-operated online channels decreased by RMB43.3 million, revenue generated from key accounts decreased by RMB39.0 million, and revenue generated from online retailers decreased by RMB15.4 million, which collectively were primarily because we gradually stopped selling the products of a major luxury brand due to the expiration of our distribution agreement with its brand licensor in December 2022. These

FINANCIAL INFORMATION

decreases were partially offset by an increase of RMB30.7 million of revenue generated from travel retailers, mainly due to the increase in the sales at travel retailers in light of increasing customer demand. Our revenue generated from the distribution channels increased from RMB469.7 million for the year ended March 31, 2022 to RMB567.2 million for the year ended March 31, 2023, primarily due to an increase of RMB98.6 million generated from offline distributors, which was mainly due to the increase of the number of offline distributors we cooperated with.

Cost of Sales

Our cost of sales increased from RMB813.2 million for the year ended March 31, 2022 to RMB843.2 million for the year ended March 31, 2023. The increase was mainly due to an increase of RMB18.6 million of our cost of goods sold, primarily because the distribution agreement for a major luxury brand expired in December 2022, in response to which we offered discounts to customers to expedite the sales of the remaining stock of its products. This resulted in an increase of the quantity of products sold, which led to an increase of our cost of goods sold.

Gross Profit and Gross Profit Margin

Our gross profit decreased from RMB861.4 million for the year ended March 31, 2022 to RMB856.0 million for the year ended March 31, 2023. Our gross profit margin decreased from 51.4% for the year ended March 31, 2022 to 50.4% for the year ended March 31, 2023.

The gross profit margin for the sales of perfumes decreased from 49.5% for the year ended March 31, 2022 to 49.1% for the year ended March 31, 2023. The decreases of our overall gross profit margin and gross profit margin for the sales of perfumes were both mainly resulted from the expiration of our distribution agreement for a major luxury brand in December 2022, in response to which we offered discounts to customers to expedite the sales of the remaining stock of its products.

With respect to sales channels, our gross profit margin of the direct sales channels remained relatively stable at 53.8% for the year ended March 31, 2023 compared to 54.7% for the year ended March 31, 2022. Our gross profit margin of distribution channels increased from 46.0% for the year ended March 31, 2022 to 48.3% for the year ended March 31, 2023, primarily because certain products sold during the year ended March 31, 2023 were procured from our suppliers at a relatively lower cost, mainly as a result of the relatively low exchange rate of EUR against HKD.

Selling and Marketing Expenses

Our selling and marketing expenses decreased from RMB537.4 million for the year ended March 31, 2022 to RMB457.5 million for the year ended March 31, 2023. The decrease was mainly due to (i) a decrease of RMB96.6 million of advertising and promotion expenses, primarily because we were able to efficiently utilize our available resources to conduct our marketing and promotional activities; and (ii) a decrease of RMB8.4 million of courier and

FINANCIAL INFORMATION

delivery, mainly due to disruption of the transportation of products caused by the impact of COVID-19 pandemic, partially offset by an increase of RMB20.9 million of our employee benefits expenses, primarily because we hired certain sales and marketing staff who commanded relatively higher salaries.

Administrative Expenses

Our administrative expenses increased from RMB157.7 million for the year ended March 31, 2022 to RMB170.0 million for the year ended March 31, 2023. The increase was mainly due to an increase of RMB10.8 million of our employee benefits expenses, primarily because we hired certain administrative staff who commanded relatively higher salaries.

Provision for Impairment of Financial Assets

Our provision for impairment of financial assets remained relatively stable from RMB0.6 million for the year ended March 31, 2023 compared to RMB0.5 million for the year ended March 31, 2022.

Other Income

Our other income decreased from RMB13.4 million for the year ended March 31, 2022 to RMB12.1 million for the year ended March 31, 2023. The decrease was mainly due to a decrease of RMB1.3 million in government grants, which was primarily because the employment support subsidy provided by Hong Kong government ceased during the year ended March 31, 2023.

Other Gains/(Losses), Net

We recorded other gains of RMB32.9 million for the year ended March 31, 2022 and other losses of RMB16.8 million for the year ended March 31, 2023, primarily as a result of our exchange gains of RMB31.8 million for the year ended March 31, 2022 and exchange losses of RMB17.4 million for the year ended March 31, 2023. This was mainly because we primarily made payments denominated in EUR to a number of our brand licensors based in Europe through our available cash in HKD, which was then converted to EUR for payment settlement, and the exchange rate of EUR against HKD decreased during the year ended March 31, 2022, and increased since October 2022.

Finance Income

Our finance income decreased from RMB7.8 million for the year ended March 31, 2022 to RMB6.5 million for the year ended March 31, 2023. The decrease was mainly due to a decrease of RMB1.3 million in interest income from bank deposits, mainly as a result of our payment of dividend to our Controlling Shareholders in February 2023, which reduced the amount of cash deposits we held at the banks.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased from RMB2.3 million for the year ended March 31, 2022 to RMB2.7 million for the year ended March 31, 2023. The increase was mainly due to an increase of RMB0.5 million in interest expense on lease liabilities, primarily as a result of an increase in the number of our self-operated offline stores/counters leased under long-term lease with fixed deposits and rent.

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased from RMB217.6 million for the year ended March 31, 2022 to RMB226.9 million for the year ended March 31, 2023.

Income Tax Expense

Our income tax expense increased from RMB46.8 million for the year ended March 31, 2022 to RMB53.8 million for the year ended March 31, 2023. The increase was mainly due to an increase of RMB12.4 million in our Hong Kong profits tax arising from an increase of income generated by our Hong Kong subsidiaries during the year ended March 31, 2023.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB170.9 million for the year ended March 31, 2022 to RMB173.1 million for the year ended March 31, 2023.

NET CURRENT ASSETS

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

	As of March 31,			As of May 31,
	2022	2023	2024	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Current assets:				
Inventories	417,753	357,578	390,309	391,055
Trade receivables	116,511	156,959	175,279	182,988
Deposits, prepayments and other receivables	61,742	52,670	113,861	115,540
Income tax recoverable	2,385	–	–	–
Amounts due from related companies	13	984	51,155	49,654

FINANCIAL INFORMATION

	As of March 31,			As of May 31,
	2022	2023	2024	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Amounts due from a joint venture	–	–	13,514	14,560
Amount due from a shareholder	–	110	271	282
Financial asset at FVPL	290	463	–	–
Fixed deposits	–	13,388	–	–
Cash and cash equivalents	307,393	320,462	150,929	188,623
Assets classified as held for sale	–	–	2,481	–
Total current assets	<u>906,087</u>	<u>902,614</u>	<u>897,799</u>	<u>942,702</u>
Current liabilities:				
Trade and bills payables	229,491	113,498	93,223	112,370
Contract liabilities	21,541	23,015	16,307	12,501
Accruals and other payables	177,229	177,448	168,737	159,859
Provisions	7,484	8,718	9,836	9,886
Income tax payables	5,650	24,103	5,500	3,581
Amounts due to related companies	56,543	61,941	7,045	8,722
Amounts due to a director	41,353	76,693	186,951	170,296
Amounts due to a shareholder	1,506	–	–	–
Lease liabilities	<u>40,454</u>	<u>48,236</u>	<u>52,520</u>	<u>50,009</u>
Total current liabilities	<u>581,251</u>	<u>533,652</u>	<u>540,119</u>	<u>527,224</u>
Net current assets	<u>324,836</u>	<u>368,962</u>	<u>357,680</u>	<u>415,478</u>

Our net current assets increased from RMB324.8 million as of March 31, 2022 to RMB369.0 million as of March 31, 2023, primarily because the decrease in our total current liabilities outpaced the decrease in our total current assets. Our total current liabilities decreased from RMB581.3 million as of March 31, 2022 to RMB533.7 million as of March 31, 2023, primarily due to a decrease of RMB116.0 million in our trade and bills payables, mainly a result of the COVID-19 pandemic in 2021 that adversely affected the global trade and logistics, which caused us to procure in advance a large amount of products from our suppliers at the end of 2021 and the beginning of 2022 in response to the possible disruption to the global supply chain. This decrease in trade and bills payables was partially offset by (i) an increase of RMB35.3 million in our amount due to a director, primarily arising from the dividend we declared, which remained due to our Controlling Shareholders as of March 31, 2023; and (ii) an increase of RMB18.5 million in our income tax payables, primarily due to an increase of taxable income generated by our Hong Kong subsidiaries during the year ended March 31, 2023. Our total current assets decreased from RMB906.1 million as of March 31, 2022 to RMB902.6 million as of March 31, 2023, primarily due to a decrease of RMB60.2 million in

FINANCIAL INFORMATION

the inventories, mainly because we had large amount of goods in transit as of March 31, 2022 due to the delayed delivery of the products from our suppliers as a result of the disruption to the global supply chain logistics caused by the COVID-19 pandemic. The transportation and delivery of the products went back to normal as of March 31, 2023 after the COVID-19 pandemic had ended. The decrease of total current assets was partially offset by (i) an increase of RMB40.4 million in trade receivables, which was primarily due to the increase in sales to certain of our key accounts customers, to which we generally granted longer credit terms; and (ii) an increase of RMB13.3 million in our fixed deposits, primarily because put our available cash into fixed bank deposits during the year ended March 31, 2023.

Our net current assets decreased from RMB369.0 million as of March 31, 2023 to RMB357.7 million as of March 31, 2024, primarily due to the increase of our current liabilities and decrease of our current assets. Our total current liabilities increased from RMB533.7 million as of March 31, 2023 to RMB540.1 million as of March 31, 2024, primarily due to an increase of RMB110.3 million in the amount due to a director, mainly arising from the dividend we declared, which remained due to our Controlling Shareholders as of March 31, 2024, partially offset by (i) a decrease of RMB54.9 million in the amounts due to related companies, primarily because we repaid the financial assistance provided by certain of our related companies during the year ended March 31, 2024; (ii) a decrease of RMB20.3 million in the trade and bills payables, primarily because the credit term granted to us by certain of our major suppliers for the year ended March 31, 2023 was longer than that for the year ended March 31, 2024; and (iii) a decrease of RMB18.6 million in income tax payables, primarily due to our transfer pricing arrangement for the year ended March 31, 2024, which resulted in a decrease of effective tax rate arising from an one-off combined effect of a decrease in the taxable income of the relevant Hong Kong subsidiaries and the utilization of the remaining accumulated tax losses from our PRC subsidiaries. For details of our transfer pricing arrangement, please refer to the section headed “Business — Transfer Pricing Arrangement” in this document. Our total current assets decreased from RMB902.6 million as of March 31, 2023 to RMB897.8 million as of March 31, 2024, primarily due to a decrease of RMB169.5 million in cash and cash equivalents, which was mainly due to dividend payments made to our Controlling Shareholders, partially offset by an increase of RMB61.2 million of the current portion of deposits, prepayments and other receivables, primarily due to (i) an increase of RMB28.3 million of current portion of the advance to third parties, because the non-current portion of the advance to third parties recorded as of March 31, 2023 was reclassified as the current portion of the advance to third parties as of March 31, 2024, as we expect these third parties to repay the amount within 12 months; and (ii) an increase of RMB15.6 million of other receivables, primarily because it took relatively longer to reconcile the payable amounts from certain brand licensors to us.

Our net current assets increased from RMB357.7 million as of March 31, 2024 to RMB415.5 million as of May 31, 2024, primarily due to the increase of our current liabilities and decrease of our current assets. Our total current liabilities decreased from RMB540.1 million as of March 31, 2024 to RMB527.2 million as of May 31, 2024, primarily due to a decrease of RMB16.7 million of our amounts due to a director, which arose from our payment of dividends to one of our Controlling Shareholders, Mr. Lau, which were declared but still due to him as of March 31, 2024. Our total current assets increased from RMB895.3 million as of May 31, 2024 to RMB942.7 million as of May 31, 2024, primarily arising from the net cash from operating activities.

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN KEY ITEMS FROM OUR COMBINED STATEMENT OF FINANCIAL POSITIONS

Inventories

Our inventories primarily consist of finished goods and goods in transit. The following table sets forth a summary of our balance of inventories as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods – at cost	321,873	332,763	379,355
Goods in transit.	119,635	53,764	46,977
Less: Stock provision	<u>(23,755)</u>	<u>(28,949)</u>	<u>(36,023)</u>
Inventories, net of provision	<u>417,753</u>	<u>357,578</u>	<u>390,309</u>

We review the condition of our inventories on a product-by-product basis regularly and make provision for obsolete and slow-moving inventory items. Our inventories decreased from RMB417.8 million as of March 31, 2022 to RMB357.6 million as of March 31, 2023, primarily reflecting a decrease of RMB65.9 million in goods in transit, which was primarily due to the delayed delivery of the products from our suppliers as a result of the disruption to the global supply chain logistics caused by the COVID-19 pandemic during the year ended March 31, 2022. The transportation and delivery of the products went back to normal as of March 31, 2023 after the COVID-19 pandemic had ended.

Our inventories increased from RMB357.6 million as of March 31, 2023 to RMB390.3 million as of March 31, 2024, primarily reflecting an increase of RMB46.6 million in finished goods as our business expanded.

The following table sets forth, our average inventory turnover days for the periods indicated:

	For the Year Ended March 31,		
	2022	2023	2024
Average inventory turnover days ⁽¹⁾	159.2	179.2	160.7

Note:

- (1) The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories for the relevant year divided by cost of sales for the year and multiplied by the number of days in the relevant year, which amounted to 365, 365 and 366 for the years ended March 31, 2022, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Our average inventory turnover days increased from 159.2 days for the year ended March 31, 2022 to 179.2 days for the year ended March 31, 2023, mainly because we increased our stock of products around the end of 2021 and the beginning of 2022 in response to the possible disruption to the global supply chain. Our average inventory turnover days decreased from 179.2 days for the year ended March 31, 2023 to 160.7 days for the year ended March 31, 2024, mainly because we reduced our inventory level regarding the precautionary stocking of products during the year ended March 31, 2024 as we believed that the international shipping and logistics had returned to normal.

The following table sets out the aging analysis of our inventories as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 180 days	378,023	274,226	327,081
180 to one year	34,583	64,427	60,815
One year to two years	15,125	35,405	26,877
Two years to three years	6,096	3,425	5,469
Over three years	7,681	9,044	6,090
Less: stock provision	<u>(23,755)</u>	<u>(28,949)</u>	<u>(36,023)</u>
Total	<u>417,753</u>	<u>357,578</u>	<u>390,309</u>

As of May 31, 2024, RMB131.6 million, or 33.7% of our inventories as of March 31, 2024 had been subsequently settled.

Trade Receivables

Trade receivables primarily represent the outstanding amounts due to us from certain of our direct sales customers for the products we sold to them. As of March 31, 2022, 2023 and 2024, our trade receivables amounted to RMB116.5 million, RMB157.0 million and RMB175.3 million, respectively. The trading terms with certain of our key accounts customers and major online retailer customers are mainly on credit. The credit term we granted to such customers was generally 30 days to 90 days. We seek to maintain strict control over our outstanding receivables to minimize credit risk exposure. Long-overdue balances are reviewed regularly by our management. We do not hold any collateral on our trade receivable balances. Trade receivables are non-interest-bearing.

FINANCIAL INFORMATION

The table below sets forth the breakdown of our trade receivables, net:

	As of March 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade receivables	116,886	157,243	175,726
Less: Loss allowance	(375)	(284)	(447)
Trade receivables, net	116,511	156,959	175,279

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for separate provision for impairment allowance. Our trade receivables increased from RMB116.5 million as of March 31, 2022 to RMB157.0 million as of March 31, 2023, and further increased to RMB175.3 million as of March 31, 2024, primarily due to the increase in the sales to certain of our key accounts customers, to which we generally granted longer credit terms of 60 to 90 days, as compared with other customers on credit.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	For the Year Ended March 31,		
	2022	2023	2024
	2022	2023	2024
Average trade receivables turnover days ⁽¹⁾	29.6	29.4	32.7

Note:

- (1) The calculation of trade receivables turnover days is based on the average of the opening balance and closing balance of trade receivables for the relevant year divided by revenue and multiplied by the number of days, which amounted to 365, 365 and 366 for the years ended March 31, 2022, 2023 and 2024, respectively.

Our average trade receivables turnover days remained relatively stable at 29.4 days for the year ended March 31, 2023 as compared to 29.6 days for the year ended March 31, 2022. Our average trade receivables turnover days increased from 29.4 days for the year ended March 31, 2023 to 32.7 days for the year ended March 31, 2024, mainly because the number of key accounts customers and other customers who are generally on credit increased during the year ended March 31, 2024.

The following table sets out the aging analysis of our trade receivables as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 30 days	84,010	106,001	107,895
31 to 90 days	26,204	37,668	48,784
Over 90 days	6,672	13,574	19,047
Total	116,886	157,243	175,726

FINANCIAL INFORMATION

As of May 31, 2024, RMB155.7 million, or 88.8% of our trade receivables as of March 31, 2024 had been subsequently settled.

Deposits, Prepayments and Other Receivables

Our current portion deposits, prepayments and other receivables primarily consist of (i) prepayments for inventories and other operating expenses, which primarily consist of prepayments we made to our suppliers before their delivery of products; (ii) advance to third parties, which primarily consists of the advance amount that was unsecured, interest-free and repayable on demand. The carrying values of the balance approximate to their fair value; (iii) other receivables, which primarily consist of the reimbursement we received from the brand licensors for the advertising and promotional activities; and (iv) deposits, which primarily consist of the deposits for the leases of the self-operated offline stores and counters.

As of March 31, 2022, 2023 and 2024, our current portion of deposits, prepayments and other receivables amounted to RMB61.7 million, RMB52.7 million and RMB113.9 million, respectively. The following table sets forth a breakdown of the current portion of our deposits, prepayments and other receivables as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for inventories and other operating expenses	31,460	13,903	23,317
Prepayment for [REDACTED] expense	–	–	1,357
Advance to third parties ⁽¹⁾	–	–	28,284
Other receivables	14,886	17,202	32,824
VAT tax recoverable	7,102	11,402	8,183
Deposits	8,294	10,163	19,896
Total	61,742	52,670	113,861

Note:

- (1) The balances are denominated in HKD and RMB. As of March 31, 2022 and 2023, our Directors expect such balance to be repaid by the third parties within 12 months of the reporting period and classified the balance as current assets.

The current portion of our deposits, prepayments and other receivables decreased from RMB61.7 million as of March 31, 2022 to RMB52.7 million as of March 31, 2023, primarily due to a decrease of RMB9.4 million of prepayments for inventories and other operating expenses, primarily because we terminated our business relationship with certain suppliers who did not grant us credit period. The current portion of our deposits, prepayments and other receivables increased from RMB52.7 million as of March 31, 2023 to RMB113.9 million as of March 31, 2024, mainly as a result of (i) an increase of RMB28.3 million of current portion of the advance to third parties, because the non-current portion of the advance to third parties recorded as of March 31, 2023 was reclassified as the current portion of the advance to third parties as of March 31, 2024, as we expect these third parties to repay the amount within 12 months; and (ii) an increase of RMB15.6 million of other receivables, primarily because the reconciliation of the payable amount between certain brand licensors and us took relatively longer time.

FINANCIAL INFORMATION

The following table sets forth a breakdown of the non-current portion of our deposits, prepayments and other receivables as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for non-financial assets . . .	–	3,054	4,207
Advance to third parties ⁽¹⁾	46,089	28,061	–
Deposits	4,441	7,400	6,217
Total	<u>50,530</u>	<u>38,515</u>	<u>10,424</u>

Note:

- (1) The balances are denominated in HKD and RMB. As of March 31, 2022 and 2023, our Directors did not expect such balance to be repaid by the third parties within 12 months of the reporting period and classified the balance as non-current assets.

The non-current portion of deposits, prepayments and other receivables decreased from RMB50.5 million as of March 31, 2022 to RMB38.5 million as of March 31, 2023, primarily due to a decrease of RMB18.0 million of our advance to third parties, primarily due to because the non-current portion of the advance to third parties recorded as of March 31, 2023 was reclassified as the current portion of the advance to third parties as of March 31, 2024, as we expect these third parties to repay the amount within 12 months. The non-current portion of deposits, prepayments and other receivables decreased from RMB38.5 million as of March 31, 2023 to RMB10.4 million as of March 31, 2024, primarily due to a decrease of RMB28.1 million of our advance to third parties, primarily because such third parties partially repaid the advance to us.

Amounts Due from a Joint Venture

Our amounts due from a joint venture were non-trade in nature, which primarily derived from the working capital injection into B&E China, a joint venture between our Group and Dr. Babor. Our amounts due from a joint venture amounted to nil, nil and RMB13.5 million as of March 31, 2022, 2023 and 2024, respectively.

Income Tax Recoverable

Our income tax recoverable mainly represents the tax recoverable arising from the fact that our prepaid income tax being higher than actual tax payable. We recorded income tax recoverable of RMB2.4 million, nil and nil as of March 31, 2022, 2023 and 2024, primarily because the provisions we made for certain of our subsidiaries resulted in an over-payment of taxes in the previous years, which resulted in the tax recoverable in the subsequent years.

FINANCIAL INFORMATION

Financial Asset at FVPL

Our financial asset at FVPL primarily consists of foreign exchange swap deposits in the banks. After making an investment, we closely monitor the performance and fair value of these investments on a regular basis. Our financial assets at FVPL amounted to RMB0.3 million, RMB0.5 million and nil for the year ended March 31, 2022, 2023 and 2024, primarily because we had foreign exchange swap deposits as of March 31, 2022 and 2023, but did not have such deposits as of March 31, 2024.

Fixed Deposits and Cash and Cash Equivalents

Our fixed deposits mainly consist of bank deposits with maturity date within three months. Our cash and cash equivalents and fixed deposits carry interest at prevailing market interest rates ranging from 0.3% to 5.5% per annum as at the end of each financial year of Track Record Period.

As of March 31, 2022, 2023 and 2024, the balance of our fixed deposits (maturity date over three months) amounted to nil, RMB13.4 million and nil, respectively, primarily because we had put certain amount of the available cash into fixed bank deposits during the years ended March 31, 2023, which matured during the year ended March 31, 2024.

Our cash and bank balances increased from RMB307.4 million as of March 31, 2022 to RMB320.5 million as of March 31, 2023, mainly due to the increase in net cash flow from our operating activities for the year ended March 31, 2023. Our cash and cash equivalents decreased from RMB320.5 million as of March 31, 2023 to RMB150.9 million as of March 31, 2024, primarily because we made a dividend payment to our Controlling Shareholders.

We deposit bank balances only with creditworthy banks with no recent history of default. Our Directors confirm that our cash and cash equivalents were maintained at a prudent level for the purpose of satisfying the requirements for our daily business operations.

Assets Classified as Held for Sale

Our assets classified as held for sale primarily consist of the properties that we expect to sell in near future. As of March 31, 2022, 2023 and 2024, our assets classified as held for sale amounted to nil, nil and RMB2.5 million, respectively.

Trade and Bills Payables

Our trade and bills payables primarily represent obligations to pay for goods or services that have been acquired in the ordinary course of business from our suppliers. The typical credit term granted to us by our suppliers generally ranged from 30 to 120 days. All the trade and bills payables were payable within one year as of March 31, 2022, 2023 and 2024.

FINANCIAL INFORMATION

The following table sets forth, as of the dates indicated, trade and bills payables as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	229,132	113,498	93,223
Bills payables	359	–	–
Total	229,491	113,498	93,223

Our trade and bills payables decreased from RMB229.5 million as of March 31, 2022 to RMB113.5 million as of March 31, 2023, primarily a result of the COVID-19 pandemic in 2022 that adversely affected the global trade and logistics and caused us to procure in advance a large amount of products from our suppliers in the end of 2021 and the beginning of 2022 in response to the disruption to the global supply chain. Our trade and bills payables decreased from RMB113.5 million as of March 31, 2023 to RMB93.2 million as of March 31, 2024, primarily because the credit term granted to us by our certain major suppliers for the year ended March 31, 2023 was longer than that for the year ended March 31, 2024.

The following table sets the ageing analysis of the trade and bills payables as at the end of each date indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	132,808	59,684	54,046
31 to 90 days	83,106	49,979	32,556
Over 90 days	13,577	3,835	6,621
Total	229,491	113,498	93,223

The following table sets forth our average trade and bills payables turnover days for the relevant year indicated:

	For the Year Ended March 31,		
	2022	2023	2024
Average trade and bills payables turnover days ⁽¹⁾	100.1	74.2	40.9

Note:

- (1) The calculation of trade and bills payables turnover days is based on the average of the opening balance and closing balance of trade and bills payables for the relevant year divided by cost of sales and multiplied by the number of days in the relevant year, which amounted to 365, 365 and 366 for the years ended March 31, 2022, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Average trade and bills payables turnover days indicate the average time we take to make cash payments to our suppliers. Our average trade and bills payable turnover days decreased from 100.1 days for the year ended March 31, 2022 to 74.2 days for the year ended March 31, 2023, and further to 40.9 days for the year ended March 31, 2024, mainly because certain major suppliers we cooperated with in 2023 and 2024 granted us shorter credit terms compared to other suppliers.

As of May 31, 2024, RMB68.1 million, or 73.0% of our trade and bills payables as of March 31, 2024 had been subsequently settled.

Contract Liabilities

Our contract liabilities represent (i) our obligation to sell goods to customers for which our Group has received consideration from the customers; and (ii) rebates yet to be claimed by customers, which will be settled by goods only. Contract liabilities are expected to be settled within our normal operating cycle and are classified as current liability based on our earliest obligation to transfer goods to the customers.

Our contract liabilities increased from RMB21.5 million as of March 31, 2022 to RMB23.0 million as of March 31, 2023, primarily because certain of our customers made advance payments to us to secure the transactions. Our contract liabilities decreased from RMB23.0 million as of March 31, 2023 to RMB16.3 million as of March 31, 2024, primarily because we were able to deliver products to our customers normally after the COVID-19 pandemic had ended.

Our Directors confirm that they have no doubt about the genuineness, existence and reasonableness of our contract liabilities as at the end of each of the year comprising the Track Record Period.

Accruals and Other Payables

Our accruals and other payables primarily consist of (i) accruals for advertising and promotion expenses primarily relating to the unpaid expenses for the advertising and promotion activities that have been conducted; (ii) accrued staff cost, which primarily represent the delayed payment of salaries and benefits to employees; (iii) advances received from third parties, which primarily consist of the advance payment we received from the brand licensors for the advertising and promotion activities we conducted for them; (iv) other payables and accruals, which primarily consist of the unpaid charges for miscellaneous services that are not related to the procurement; and (v) other tax payables, which primarily consist of value-added taxes arising from our importation of products. All the accruals and other payables were payable within one year as of March 31, 2022, 2023 and 2024.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our accruals, provisions and other payables as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Current</u>			
Accruals for advertising and promotion	80,971	79,456	83,837
Accrued staff cost	24,507	47,264	35,894
Advances received from third parties. . .	43,170	29,000	26,500
Other payables and accruals	15,474	12,871	10,588
Other tax payables.	13,107	8,857	9,682
Accrual for [REDACTED] expenses. . .	—	—	2,236
	177,229	177,448	168,737

The accruals and other payables remained relatively stable at RMB177.4 million as of March 31, 2023 as compared to RMB177.2 million as of March 31, 2022.

The accruals and other payables decreased from RMB177.4 million as of March 31, 2023 to RMB168.7 million as of March 31, 2024, primarily due to a decrease of RMB11.4 million of accrued staff cost, which arose from the delayed payment of employee salaries and benefits during the year ended March 31, 2023 because we took a relatively longer time to review the performance of our staff during that year.

Provisions

Our provisions primarily consist of (i) provisions of unutilized annual leave of our employees; and (ii) other provisions, which primarily consist of the provisions for expenses arising from the restoration of our closed stores/counters.

The following tables set forth the breakdown of our accruals, provisions and other payables as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Non-current</u>			
Provision for long service payment	852	780	1,658
	852	780	1,658
<u>Current</u>			
Provision of unutilised annual leave . . .	5,416	6,076	6,604
Other provisions	2,068	2,642	3,232
	7,484	8,718	9,836
	8,336	9,498	11,494

FINANCIAL INFORMATION

Our provisions increased from RMB8.3 million as of March 31, 2022 to RMB9.5 million as of March 31, 2023, and further to RMB11.5 million as of March 31, 2024, primarily due to (i) the increase of provisions of unutilized employee annual leave during the Track Record Period, primarily due to the increase of our employee benefit expenses; and (ii) the increase of other provisions during the Track Record Period, primarily relating to the provisions we made for the expenses arising from the restoration for our self-operated offline stores/counters.

Income Tax Payable

Our income tax payable primarily consists of income tax payable by our Hong Kong subsidiaries.

Our income tax payable increased from RMB5.7 million as of March 31, 2022 to RMB24.1 million as of March 31, 2023, primarily due to an increase of taxable income generated by our Hong Kong subsidiaries during the year ended March 31, 2023. Our income tax payable decreased from RMB24.1 million as of March 31, 2023 to RMB5.5 million as of March 31, 2024, primarily due to our transfer pricing arrangement for the year ended March 31, 2024, which resulted in a decrease of effective tax rate arising from an one-off combined effect of a decrease in the taxable income of the relevant Hong Kong subsidiaries, and the utilization of the remaining accumulated tax losses from our PRC subsidiaries. For details of our transfer pricing arrangement, please refer to the section headed “Business — Transfer Pricing Arrangement” in this document.

Amount(s) Due to/from Related Companies/Director/Shareholder

Amounts Due from Related Companies

Our amounts due from related companies were non-trade in nature, which were mainly derived from the financial assistance we provided to certain of our related companies. Our amounts due from related companies amounted to RMB61.2 million, RMB56.0 million and 51.2 million as of March 31, 2022, 2023 and 2024, respectively.

Our amounts due from related companies decreased from RMB61.2 million as of March 31, 2022 to RMB56.0 million as of March 31, 2023, and further to 51.2 million as of March 31, 2024, primarily because we requested the repayment of the financial assistance from the related companies.

Amounts Due from a Shareholder

Our amounts due from a shareholder were non-trade in nature, which were mainly derived from the advance payment we made on behalf of one of our Controlling Shareholders, Mrs. Lau. Our amounts due from a shareholder amounted to nil, RMB0.1 million and RMB0.3 million as of March 31, 2022, 2023 and 2024, respectively. As of the Latest Practicable Date, the amounts due from a shareholder had been settled.

FINANCIAL INFORMATION

Amounts Due to Related Companies

Our amounts due to related companies were non-trade in nature, which were primarily derived from the financial assistance provided to us by certain of our related companies. Our amounts due to related companies amounted to RMB56.5 million, RMB61.9 million and RMB7.0 million as of March 31, 2022, 2023 and 2024, respectively.

Our amounts due to related companies increased from RMB56.5 million as of March 31, 2022 to RMB61.9 million as of March 31, 2023, primarily because certain of our related companies provided additional financial support to us. Our amounts due to related companies decreased from RMB61.9 million as of March 31, 2023 to RMB7.0 million as of March 31, 2024, primarily because we settled a majority of the outstanding amount of financial assistance with the related companies. All amounts due to related companies are expected to be settled upon [REDACTED].

Amounts Due to a Director

Our amounts due to a director were non-trade in nature, which were mainly derived from the outstanding payment of dividends to one of our Controlling Shareholders and an executive Director and chairman of the Board, Mr. Lau. Our amounts due to a director amounted to RMB41.4 million, RMB76.7 million and RMB187.0 million as of March 31, 2022, 2023 and 2024, respectively. All the amounts due to Director were repayable on demand as of March 31, 2022, 2023 and 2024.

Our amounts due to a Director increased from RMB41.4 million as of March 31, 2022 to RMB76.7 million as of March 31, 2023, and further to RMB187.0 million as of March 31, 2024, primarily reflecting the dividends we declared but remained due to Mr. Lau during the Track Record Period. All amounts due to a Director are expected to be settled upon [REDACTED].

Amounts Due to a Shareholder

Our amounts due to a shareholder were non-trade in nature, which mainly derived from the advance payment made by one of our Controlling Shareholders, Mrs. Lau, on behalf of us. Our amounts due to a shareholder amounted to RMB1.5 million, nil and nil as of March 31, 2022, 2023 and 2024, respectively. All amounts due to a Shareholder are expected to be settled upon [REDACTED].

Investment in a Joint Venture

Our investment in a joint venture mainly represents our investment in B&E China, a joint venture between our Group and Dr. Babor. Our investment in a joint venture amounted to nil, nil and RMB2.9 million as of March 31, 2022, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Property, Plant and Equipment

Our property, plant and equipment primarily represent leasehold improvements for our stores and counters, buildings, computer equipment and motor vehicles. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold improvements	11,254	6,603	12,271
Buildings	1,126	1,167	–
Office equipment	123	154	291
Airconditioning plant	775	805	659
Computer equipment	5,112	4,438	3,925
Motor vehicles	2,546	2,368	1,966
Furniture and fixtures	494	604	449
Total	<u>21,430</u>	<u>16,139</u>	<u>19,561</u>

Our property, plant and equipment decreased from RMB21.4 million as of March 31, 2022 to RMB16.1 million as of March 31, 2023, primarily due to a decrease of RMB4.7 million in our leasehold improvements, primarily because we incurred less expenses on decorating our self-operated offline stores/counters as we closed some stores and counters under the impact of the COVID-19 pandemic. Our property, plant and equipment increased from RMB16.1 million as of March 31, 2023 to RMB19.6 million as of March 31, 2024, primarily due to an increase of RMB5.7 million in our leasehold improvements, primarily because we incurred additional expenses on decorating our newly opened offline stores/ counters.

Intangible Assets

Our intangible assets primarily consist of club membership and computer software. The following table sets forth the breakdown of our intangible assets as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Club membership	209	228	237
Computer software	4,613	3,760	3,448
Total	<u>4,822</u>	<u>3,988</u>	<u>3,685</u>

Our intangible assets decreased from RMB4.8 million as of March 31, 2022 to RMB4.0 million as of March 31, 2023, and further to RMB3.7 million, primarily because we installed new computer software and incurred related depreciation.

FINANCIAL INFORMATION

Right-of-Use Assets

Our right-of-use assets primarily represents the leases for our offices, warehouses and shops and counters and office equipment, among others. The following table sets forth the breakdown of our right-of-use assets as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Offices	18,855	14,202	12,498
Warehouses	12,662	9,907	8,433
Shops and counters	41,650	39,477	59,857
Copy machines	1,411	1,398	1,142
Leasehold land	1,272	1,334	–
Total	<u>75,850</u>	<u>66,318</u>	<u>81,930</u>

Our right-of-use assets decreased from RMB75.9 million as of March 31, 2022 to RMB66.3 million as of March 31, 2023, primarily because we closed certain of our self-operated offline stores and counters under the impact of COVID-19 pandemic, which resulted in the termination of relevant leases. Our right-of-use assets increased from RMB66.3 million as of March 31, 2023 to RMB81.9 million as of March 31, 2024, primarily because we opened new self-operated offline stores and counters and entered into new leases in connection therewith.

Deferred Tax Assets

Our deferred tax assets mainly consist of (i) temporary differences between the tax bases of assets and liabilities and their carrying amounts; and (ii) current and prior year tax losses to be utilized at the end of each financial year of the Track Record Period. As of March 31, 2022, 2023 and 2024, our deferred tax assets amounted to RMB11.6 million, RMB12.0 million and RMB17.1 million, respectively. Our deferred tax assets remained relatively stable at RMB12.0 million as of March 31, 2023 compared to RMB11.6 million as of March 31, 2022. Our deferred tax assets increased from RMB12.0 million as of March 31, 2023 to RMB17.1 million as of March 31, 2024, primarily attributable to our expectation that we will utilize the tax losses of our PRC subsidiaries as of March 31, 2024.

INDEBTEDNESS

Our indebtedness mainly consists of lease liabilities, amount due to a director and amount due to related companies.

FINANCIAL INFORMATION

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

	As of March 31,			As of May 31,
	2022	2023	2024	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Current				
Lease liabilities	40,454	48,236	52,520	50,009
Amounts due to related companies	56,543	61,941	7,045	8,722
Amounts due to a director . . .	41,353	76,693	186,951	170,296
Non-current				
Lease liabilities	<u>36,773</u>	<u>24,769</u>	<u>33,074</u>	<u>29,189</u>
Total indebtedness	<u>175,123</u>	<u>211,639</u>	<u>279,590</u>	<u>258,216</u>

Our lease liabilities primarily relate to our leases of the stores and counters at shopping malls and department stores in mainland China, Hong Kong and Macau. During the Track Record Period, we entered into certain short-term and long-term lease contracts for stores and counters in shopping malls and department stores in mainland China, Hong Kong and Macau, which generally have lease terms between one to two years.

Our lease liabilities decreased from RMB77.2 million as of March 31, 2022 to RMB73.0 million as of March 31, 2023, primarily because we terminated lease contracts for certain of our self-operated offline stores and counters under the impact of COVID-19 pandemic during the year ended March 31, 2023. Our lease liabilities increased from RMB73.0 million as of March 31, 2023 to RMB85.6 million as of March 31, 2024, primarily because we entered into new leases in connection with the opening of new self-operated offline stores and counters, and entered into more long-term lease contracts for our existing self-operated offline stores and counters in the year ended March 31, 2024.

For further details of our amount due to a director and amounts due to related companies, please refer to the paragraph headed “— Description of Certain Key Items From Our Combined Statement of Financial positions — Amount(s) Due to/from Related Companies/Director/Shareholder” in this section.

FINANCIAL INFORMATION

COMMITMENTS

Our commitments primarily relate to short-term leases relating to offices and warehouses that are not cancellable. The following table sets forth our short-term-lease commitments as of the dates indicated:

	As of March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than one year	<u>3,744</u>	<u>9,842</u>	<u>10,029</u>

Statement of Indebtedness

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

Except as disclosed above, and apart from intra-group liabilities and normal trade payables, as of March 31, 2024, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either secured or unsecured, or guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since March 31, 2024, and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

During the Track Record Period, our principal uses of cash were to fund our working capital requirements and capital expenditures. We have historically met our working capital needs primarily through cash flow from operating activities.

Upon the completion of the [REDACTED], we expect to meet our working capital needs primarily through cash flows from financing activities, the net [REDACTED] to our Company from the [REDACTED] and cash flow from operating activities.

FINANCIAL INFORMATION

The table below sets forth a summary of our cash flows for the periods indicated:

	For the year ended March 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	71,270	210,131	174,902
Net cash flows used in investing activities	(9,826)	(25,375)	(29,955)
Net cash flows used in financing activities	(214,975)	(215,525)	(335,355)
Net decrease in cash and cash equivalents	(153,531)	(30,769)	(190,408)
Cash and cash equivalents at beginning of year	499,077	307,393	320,462
Effect of foreign exchange rate changes	<u>(38,153)</u>	<u>43,838</u>	<u>20,875</u>
Cash and cash equivalents at end of year	<u>307,393</u>	<u>320,462</u>	<u>150,929</u>

Net Cash Flows Generated from Operating Activities

During the Track Record Period, our cash flows used in operating activities were primarily for the payment of income tax, and our cash flows from operating activities were primarily generated from our sales of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances.

For the year ended March 31, 2024, our net cash generated from operating activities was RMB174.9 million. This net cash inflow was primarily attributable to (i) our profit before income tax expense of RMB224.7 million; and (ii) positive total adjustment before movements in working capital of RMB115.6 million, which was partially offset by (a) negative movements in working capital of RMB123.5 million; and (b) payment of income tax of RMB49.8 million. The positive total adjustment before movements in working capital primarily reflected (i) depreciation of right-of-use assets of RMB57.6 million; (ii) depreciation of property, plant and equipment of RMB23.1 million; (iii) share-based payment expense of RMB13.6 million; and (iv) expenses relating to short-term leases of RMB12.9 million. The negative movements in working capital primarily reflected (i) increase in inventories of RMB38.3 million; (ii) increase in deposits, prepayments and other receivables of RMB29.7 million; (iii) decrease in trade and bills payables of RMB22.7 million; and (iv) increase in trade receivables of RMB15.7 million.

FINANCIAL INFORMATION

For the year ended March 31, 2023, our net cash generated from operating activities was RMB210.1 million. This net cash inflow was primarily attributable to (i) our profit before income tax expense of RMB226.9 million; and (ii) positive total adjustment before movements in working capital of RMB89.4 million, which was partially offset by (i) negative movements in working capital of RMB72.4 million; and (ii) payment of income tax of RMB33.9 million. The positive total adjustment before movements in working capital primarily reflected (i) depreciation of right-of-use assets of RMB50.9 million; and (ii) depreciation of property, plant and equipment of RMB16.3 million. The negative movements in working capital primarily reflected (i) decrease in trade and bills payables of RMB116.0 million; and (ii) increase in trade receivables of RMB36.5 million, which was partially offset by (i) decrease in inventories of RMB56.4 million; and (ii) decrease in deposits, prepayments and other receivables of RMB24.9 million.

For the year ended March 31, 2022, our net cash generated from operating activities was RMB71.3 million. This net cash inflow was primarily attributable to (i) our profit before income tax expense of RMB217.7 million; and (ii) positive total adjustment before movements in working capital of RMB56.0 million, which was partially offset by (i) negative movements in working capital of RMB117.0 million; and (ii) payment of income tax of RMB85.4 million. The positive total adjustment before movements in working capital primarily reflected (i) depreciation of right-of-use assets of RMB39.0 million; and (ii) depreciation of property, plant and equipment of RMB15.2 million. The negative movements in working capital primarily reflected (i) increase in inventories of RMB175.2 million; and (ii) increase in deposits, prepayments and other receivables of RMB23.3 million, which was partially offset by (i) increase in accruals and other payables of RMB41.5 million; (ii) decrease in trade receivables of RMB31.3 million; and (iii) increase in trade and bills payables of RMB12.8 million.

Net Cash Flows Used in Investing Activities

During the Track Record Period, our investing activities primarily consisted of (i) purchases of property, plant and equipment; (ii) payments for fixed deposit; (iii) fund advanced to amounts due from a joint venture; and (iv) purchases of intangible assets.

For the year ended March 31, 2024, our net cash used in investing activities was RMB30.0 million. This net cash outflow was primarily attributable to (i) purchases of property, plant and equipment of RMB27.6 million; and (ii) fund advanced to amount due from a joint venture of RMB13.4 million, which was partially offset by redemption of fixed deposit of RMB13.4 million.

FINANCIAL INFORMATION

For the year ended March 31, 2023, our net cash used in investing activities was RMB25.4 million. This net cash outflow was primarily attributable to payments for fixed deposit of RMB13.4 million; and (ii) purchase of property, plant and equipment of RMB13.2 million, which was partially offset by interest received of RMB6.5 million.

For the year ended March 31, 2022, our net cash used in investing activities was RMB9.8 million. This net cash outflow was primarily attributable to purchase of property, plant and equipment of RMB22.0 million, partially offset by (i) repayment of loan to a director of RMB8.0 million; and (ii) interest received of RMB7.8 million.

Net Cash Flows Used in Financing Activities

During the Track Record Period, our financing activities primarily consisted of (i) dividends paid; (ii) repayment to a Director; (iii) payments of principal element of lease liabilities; and (iv) repayment to related parties.

For the year ended March 31, 2024, our net cash used in financing activities was RMB335.4 million. This net cash outflow was primarily attributable to (i) dividends paid of RMB194.7 million; (ii) payment of principal element of lease liabilities of RMB61.2 million; and (iii) repayment to related parties of RMB61.0 million.

For the year ended March 31, 2023, our net cash used in financing activities was RMB215.5 million. This net cash outflow was primarily attributable to (i) dividends paid of RMB145.6 million; and (ii) payment of principal element of lease liabilities of RMB50.2 million.

For the year ended March 31, 2022, our net cash used in financing activities was RMB215.0 million. This net cash outflow was primarily attributable to (i) dividends paid of RMB202.2 million; and (ii) payment of principal element of lease liabilities of RMB29.6 million, partially offset by advance from a Director of RMB46.0 million.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period and up to the Latest Practicable Date, we financed our working capital needs primarily through cash flow from operating activities. Taking into account the financial resources available to our Group, including the cash flow from operating activities, available banking facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that, after due and careful inquiry, we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this document.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period mainly consisted of (i) purchase of property, plant and equipment and (ii) purchase of intangible assets. Our capital expenditures amounted to RMB26.7 million, RMB13.2 million and RMB28.9 million for the years ended March 31, 2022, 2023 and 2024, respectively.

We expect to incur RMB29.2 million of capital expenditures for the year ending March 31, 2025, mainly consisted of (i) purchase of property, plant and equipment and (ii) purchase of intangible assets. We expect to fund these capital expenditures primarily with cash from operating activities, the net [REDACTED] from the [REDACTED] and bank borrowings available to us.

Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors.

OFF-BALANCE SHEET ARRANGEMENTS

Save as disclosed elsewhere in this document, as of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTIONS

We entered into certain related party transactions with our related parties during the Track Record Period, details of which are set out in the paragraph headed “— Description of Certain Key Items from Our Combined Statement of Financial Positions — Amount(s) Due to/from Related Companies/Director/Shareholder” and note 33 to the Accountant’s Report in Appendix I to this document.

In addition, certain buildings owned by Mr. Lau’s son and related parties were pledged to secure our Group’s existing banking facilities, which had been unutilized as of March 31, 2022, 2023 and 2024. Such pledge has been released as of the Latest Practicable Date.

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

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/Year ended March 31,		
	2022	2023	2024
Net profit margin ⁽¹⁾	10.2%	10.2%	11.1%
Current ratio ⁽²⁾	1.6	1.7	1.7
Quick ratio ⁽³⁾	0.8	1.0	0.9
Return on equity ⁽⁴⁾	33.8%	33.0%	41.5%

FINANCIAL INFORMATION

Notes:

- (1) Net profit margin equals profit for the year divided by total revenue for the year and multiplied by 100%.
- (2) Current ratio equals total current assets divided by total current liabilities as of the end of the year.
- (3) Quick ratio equals total current assets less inventories divided by total current liabilities as of the end of the year.
- (4) Return on equity equals profit for the year divided by the average balance of our total equity at the beginning and end of the year and multiplied by 100%.

Net Profit Margin

Our net profit margin remained relatively stable at 10.2% for the year ended March 31, 2023 as compared to 10.2% as of March 31, 2022. Our net profit margin increased from 10.2% as of March 31, 2023 to 11.1% as of March 31, 2024.

Current Ratio

Our current ratio remained relatively stable at 1.6, 1.7 and 1.7 as of March 31, 2022, 2023 and 2024, respectively.

Quick Ratio

Our quick ratio increased from 0.8 as of March 31, 2022 to 1.0 as of March 31, 2023, primarily because our total current assets less inventories increased from RMB488.3 million as of March 31, 2022 to RMB545.0 million as of March 31, 2023, while our total current liabilities decreased from RMB581.3 million as of March 31, 2022 to RMB533.7 million as of March 31, 2023. Our quick ratio decreased from 1.0 as of March 31, 2023 to 0.9 as of March 31, 2024, primarily because our total current assets less inventories decreased from RMB545.0 million as of March 31, 2023 to RMB505.0 million as of March 31, 2024, while our total current liabilities increased from RMB533.7 million as of March 31, 2023 to RMB540.1 million as of March 31, 2024.

Return on Equity

Our return on equity decreased from 33.8% as of March 31, 2022 to 33.0% as of March 31, 2023, primarily because our net profit for the year increased from RMB170.9 million for the year ended March 31, 2022 to RMB173.1 million for the year ended March 31, 2023, while the average balance of our total equity increased from RMB505.6 million for the year ended March 31, 2022 to RMB524.0 million for the year ended March 31, 2023. Our return on equity increased from 33.0% as of March 31, 2023 to 41.5% as of March 31, 2024, primarily because our net profit for the year increased from RMB173.1 million for the year ended March 31, 2023 to RMB206.5 million for the year ended March 31, 2024, while the average balance of our total equity decreased from RMB524.0 million for the year ended March 31, 2023 to RMB497.0 million for the year ended March 31, 2024.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our activities expose us to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out under policies approved by the Directors. The Directors provide principles for overall risk management. For further details, please see note 3 to the Accountant’s Report set out in Appendix I to this Document.

Foreign Exchange Risk

Our Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HKD, EUR, the British Pound Sterling (the “GBP”) and USD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The following table demonstrates the sensitivity at the end of each financial year of the Track Record Period to a reasonably possible change in the exchange rate of foreign currencies, with all other variables held constant, of our profit before tax (due to changes in the fair value of monetary assets and liabilities) and our equity.

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in profit before tax
	%	RMB’000
As of March 31, 2022		
If HK\$ weakens against RMB	(5)	5,724
If HK\$ strengthens against RMB	5	(5,724)
If EUR weakens against RMB	(5)	8,848
If EUR strengthens against RMB	5	(8,848)
If GBP weakens against RMB	(5)	(3,202)
If GBP strengthens against RMB	5	3,202
If US\$ weakens against RMB	(5)	(609)
If US\$ strengthens against RMB	5	609
If AUD weakens against RMB	(5)	–
If AUD strengthens against RMB	5	–

FINANCIAL INFORMATION

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in profit before tax
	%	RMB'000
As of March 31, 2023		
If HK\$ weakens against RMB	(5)	52
If HK\$ strengthens against RMB	5	(52)
If EUR weakens against RMB	(5)	3,731
If EUR strengthens against RMB	5	(3,731)
If GBP weakens against RMB	(5)	(703)
If GBP strengthens against RMB	5	703
If US\$ weakens against RMB	(5)	(5,748)
If US\$ strengthens against RMB	5	5,748
As of March 31, 2024		
If HK\$ weakens against RMB	(5)	1,758
If HK\$ strengthens against RMB	5	(1,758)
If EUR weakens against RMB	(5)	2,258
If EUR strengthens against RMB	5	(2,258)
If GBP weakens against RMB	(5)	(7)
If GBP strengthens against RMB	5	7
If US\$ weakens against RMB	(5)	(385)
If US\$ strengthens against RMB	5	385

Cash Flow and Fair Value Interest Rate Risk

Our Group’s income and operating cash flows are substantially independent of changes in market interest rates as we has no significant interest-bearing assets except for cash and cash equivalents and fixed deposits measured at amortised cost.

FINANCIAL INFORMATION

Credit Risk

Credit risk of our Group mainly arises from deposits and financial asset at fair value through profit or loss with banks and financial institutions, as well as credit exposures to trade receivables, deposits and other receivables and amounts due from related companies, amount due from a joint venture and amount due from a shareholder. The carrying amounts of these balances on the statement of financial position represent our maximum exposure to credit risk in relation to our financial assets.

Our Group’s financial assets, including trade receivables, deposits and other receivables, amount due from a joint venture, amount due from a shareholder and amounts due from related companies are subject to the expected credit loss model.

We apply the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been assessed individually for provision based on their respective expected loss rates. The expected loss rates are calculated based on probabilities of default and loss rates from external credit ratings, industry-specific data or other internal and external credit data sources. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors on the global economic growth affecting the ability of the customers to settle the receivables. Trade receivables are written off when there is no reasonable expectation of recovery.

For further details of credit risk, please refer to note 3.1 to the Accountant’s Report in Appendix I to this document.

Liquidity Risk

Liquidity risk arises from our failure to meet our obligations when they fall due, which resulted from amount and maturity mismatches of assets and liabilities.

Our Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring our Group’s working capital to ensure that all liabilities due and known funding requirements could be met. In order to meet our liquidity requirements in the short and longer term, our Group members may adjust the amount of dividends paid to shareholders and drawdown available bank facilities. Further, our management performs monthly review of receivables and payables ageing analysis to ensure that our Group is able to maintain sufficient financial resources to meet its liquidity requirements and to follow up on any overdue balances.

Please refer to note 3.1(d) to the Accountant’s Report in Appendix I to this document for further details of our Group’s financial liabilities into the relevant maturity groupings based on the remaining period at the end of each Track Record Period to the contractual maturity date for (i) all financial asset at FVPL; and (ii) net and gross settled financial asset at FVPL financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

FINANCIAL INFORMATION

DIVIDENDS

No dividend was declared or paid by our Company during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period. For the years ended March 31, 2022, 2023 and 2024, the dividends declared by the companies now comprising our Group to their then equity shareholders, after elimination of intra-group dividends, amounted to RMB128.1 million, RMB189.4 million and RMB314.3 million, respectively.

The Board may declare, and the Company may pay, dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. We may distribute dividends by way of cash, or warrant. We may distribute stock dividends if our Directors consider that our stock price and equity scale do not match and that distribution of stock dividends is beneficial to all Shareholders’ interest. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim dividends as our Board considers to be justified by our profits and overall financial requirements. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Following the [REDACTED], the Board intends to recommend at the relevant Shareholders meeting an annual dividend of no less than 50% of our profit for the year available for distribution to the Shareholders, after taking into consideration the factors described above in the foreseeable future. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders’ meeting.

DISTRIBUTABLE RESERVES

As of March 31, 2022, 2023 and 2024, we did not have any reserves available for distribution.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We estimate that our total [REDACTED] expenses (including [REDACTED] commission) will be approximately RMB[REDACTED]. During the Track Record Period, [REDACTED] expenses of approximately RMB[REDACTED] were charged to our combined statements of profit or loss for the year ended March 31, 2024, and approximately RMB[REDACTED] were capitalized to our combined statements of financial position and recognized as prepaid [REDACTED] expenses as of March 31, 2024, which are expected to be deducted from equity upon [REDACTED] as they are directly attributable to the issue of the Shares [REDACTED]. The estimated remaining [REDACTED] expenses of approximately RMB[REDACTED] are expected to be charged to our combined statements of profit or loss for the year ending March 31, 2025, and approximately RMB[REDACTED] are expected to be deducted from equity

FINANCIAL INFORMATION

upon [REDACTED]. The [REDACTED] expenses consisted of RMB[REDACTED] [REDACTED]-related expenses and RMB[REDACTED] non-[REDACTED]-related expenses (including fees and expenses of legal advisors and the reporting accountant of RMB[REDACTED] and other fees and expenses of RMB[REDACTED]).

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since March 31, 2024, being the date on which our latest audited combined financial statements were prepared, and there is no event since March 31, 2024 which would materially affect the information as set out in the Accountant’s Report in Appendix I to this document.

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES

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

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted combined net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA is to illustrate the effect of the [REDACTED] on the combined net tangible assets of our Group attributable to owners of our Company as of March 31, 2024 as if the [REDACTED] had taken place on that date.

The unaudited [REDACTED] statement of adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the combined net tangible assets attributable to owners of our Company had the [REDACTED] been completed as of March 31, 2024 or at any future date.

It is prepared based on the combined net tangible assets of our Group attributable to the owners of our Company as of March 31, 2024 as set out in the Accountant’s Report in Appendix I to this document, and adjusted as described below. The unaudited [REDACTED] adjusted combined net tangible assets do not form part of the Accountant’s Report as set out in Appendix I to this document.

FINANCIAL INFORMATION

	Audited Combined Net Tangible Assets of our Group Attributable to the Owners of our Company as of March 31, 2024 ⁽¹⁾	Estimated Net [REDACTED] from the [REDACTED] ⁽²⁾	Unaudited [REDACTED] Adjusted Combined Net Tangible Assets Attributable to the Owners of our Company as of March 31, 2024	Unaudited [REDACTED] Adjusted Combined Net Tangible Assets per Share ⁽³⁾⁽⁴⁾⁽⁵⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . . .	<u>454,860</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . . .	<u>454,860</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

- (1) The audited combined net tangible assets of our Group attributable to the owners of our Company as at March 31, 2024 is extracted from the Accountant’s Report set out in Appendix I to this document, which is based on the audited combined net assets of our Group attributable to the owners of our Company as at March 31, 2024 of approximately RMB458,545,000 after deducting our Group’s intangible assets of approximately RMB3,685,000 as at March 31, 2024.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on [REDACTED] Shares and the indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED], being low and high end of the indicative [REDACTED] range, after deduction of the [REDACTED] fees and other related expenses (excluding [REDACTED] expenses of approximately [REDACTED] which have been accounted for in the combined statement of comprehensive income for the year ended March 31, 2024).
- (3) The unaudited [REDACTED] adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue, assuming that the Capitalization Issue and the [REDACTED] had been completed on March 31, 2024 but does not take into account of any Shares which may be allotted and issued by our Company pursuant to the general mandate or repurchased by our Company pursuant to the exercise of [REDACTED] or the repurchase mandate as described in the section headed “Share Capital” in this document.
- (4) For the purpose of the unaudited [REDACTED] statement of adjusted combined net tangible assets, the translation of Renminbi amounts into Hong Kong dollars was at rate of RMB[0.9134] to HK\$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to the unaudited [REDACTED] adjusted combined net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to March 31, 2024.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business — Our Business Strategies” in this document for a detailed discussion of our future plans.

USE OF [REDACTED]

The table below sets forth the estimated net [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] (assuming the [REDACTED] is not exercised):

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document)	HK\$[REDACTED] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document)	HK\$[REDACTED] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document)	HK\$[REDACTED] million

We intend to use the net [REDACTED] from the [REDACTED] for the purposes and in the amounts set out below:

Allocation of the Estimated Net [REDACTED]	Proposed Main Purposes
Approximately [REDACTED]%, or HK\$[REDACTED] million	Further develop our self-owned brands and acquire or invest in external brands. See the section headed “Business — Our Business Strategies — Strengthen our market leading position through optimizing, broadening and diversifying our brand and product portfolios” in this document for details. Specifically, we plan to implement the following measures: <ul style="list-style-type: none"> • Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund the development of our other self-owned brands to be launched in the future. We plan to use the net [REDACTED] of the [REDACTED] to, among others, conduct the preliminary market research, carry out requisite research and development of the brand(s) and product(s), plan and conduct advertising and promotional activities, and pay the salaries and benefits to the relevant staff.

FUTURE PLANS AND USE OF [REDACTED]

Allocation of the Estimated Net
[REDACTED]

Proposed Main Purposes

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund the development of our existing self-owned brand, Santa Monica. We plan to use the net [REDACTED] of the [REDACTED] to, among others, launch new product series, participate in product exhibitions, conduct advertising and promotional activities, and pay the salaries and benefits to the relevant staff.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund the acquisition of, or investment in, external brands through acquiring or investing in the brand owners of the relevant brands or forming joint ventures with them to operate such brands. Based on the acquisition and investment selection criteria we identified in the section headed “Business — Our Business Strategies — Strengthen our market leading position through optimizing, broadening and diversifying our brand and product portfolios”, we believe that there is a group of suitable acquisition or investment targets. According to Frost & Sullivan, there are approximately 200 enterprises that satisfy the above-mentioned selection criteria. In line with our expansion strategy, our Directors are of the view that these enterprises comprise a list of potential acquisition targets we would consider pursuing in the future. However, as of the Latest Practicable Date, we have not identified any specific acquisition targets. We intend to apply the above-mentioned criteria to identify potential suitable acquisition targets and plan to carry out one or more acquisitions in the next three years. The completion timetable depends on the duration of the vetting/approval process.

FUTURE PLANS AND USE OF [REDACTED]

**Allocation of the Estimated Net
[REDACTED]**

Proposed Main Purposes

Approximately
[REDACTED]%, or
HK\$[REDACTED]
million

Develop and expand our self-operated retailer channels. See the section headed “Business — Our Business Strategies — Extend our consumer reach through continued investment in our self-operated retailer channels”. Specifically, we plan to (i) expand the coverage of our Perfume Box stores; and (ii) expand our other self-operated channels. We intend implement the following measures:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to open our new Perfume Box stores. We plan to use the net [REDACTED] of the [REDACTED] to, among others, decorate the new stores, conduct advertising and promotional activities, pay the rents for the property leases, and pay the salaries and benefits of the relevant staff. For further details of our expansion plans of offline Perfume Box stores, please refer to the paragraph headed “Business — Sales and Distribution of Products — Direct Sales Channels — Self-operated Sales Channels — Expansion Plans” in this document.

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to open our other new self-operated offline stores/counters. We plan to use the net [REDACTED] of the [REDACTED] to, among others, decorate the new stores, conduct advertising and promotional activities, pay the rent for the property leases and pay salaries and benefits of the relevant staff. For further details of our expansion plans of other offline self-operated stores and counters, please refer to the paragraph headed “Business — Sales and Distribution of Products — Direct Sales Channels — Self-operated Sales Channels — Expansion Plans” in this document.

FUTURE PLANS AND USE OF [REDACTED]

**Allocation of the Estimated Net
[REDACTED]**

Proposed Main Purposes

Approximately
[REDACTED]%, or
HK\$[REDACTED]
million

Accelerate our digital transformation. See the section headed “Business — Our Business Strategies — Accelerate digital transformation to streamline our business operations and strengthen the support for our full-cycle consumer management program” in this document for details. Specifically, it is our intention to streamline our business operations, improve our operating efficiency, and strengthen our technological capability through digital transformation. We intend to implement the following measures:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund the upgrade of our digitalized CRM system.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund the upgrade of our mid-office systems to improve the efficiency and effectiveness of our business operations.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund the upgrade of our finance and operation systems.

With respect to upgrading our digitalized CRM system, mid-office systems, and finance and operation systems, we plan to use the net [REDACTED] of the [REDACTED] to upgrade hardware, purchase new software, and pay for the services of the third-party IT consultants in connection with the implementation of each of the foregoing initiatives.

Approximately
[REDACTED]%, or
HK\$[REDACTED]
million

Enhance the recognition and reputation of our Group. See the section headed “Business — Our Business Strategies — Enhance the recognition and industry-leading reputation of our Group” in this document for details. We plan to invest in various marketing events that can enhance our recognition by industry players and consumers, and solidify our leading position in the perfumes market in mainland China, Hong Kong and Macau. We intend to implement the following measures:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund our industry research and the publication of research papers. We plan to use the net [REDACTED] of the [REDACTED] to, among others, conduct market research, prepare the research papers and launch conferences to announce the research results or publish the research papers.

FUTURE PLANS AND USE OF [REDACTED]

**Allocation of the Estimated Net
[REDACTED]**

Proposed Main Purposes

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund our organization of and participation in industry-wide perfume conferences and other events.
 - Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund our various promotional campaigns to further promote consumer awareness in both the brands we manage and our Group.
- Approximately [REDACTED]%, or HK\$[REDACTED] million Working capital and general corporate purposes to support our business operation and growth.

We will not receive any of the [REDACTED] from the sale of the [REDACTED] by the [REDACTED] in the [REDACTED]. The [REDACTED] estimate that they will receive, in the aggregate, gross [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range).

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].

To the extent our net [REDACTED] are either more or less than expected, we will increase or decrease the allocation of the net [REDACTED] to the above purposes on a pro-rata basis.

In addition, to the extent that the net [REDACTED] of the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, the unused net [REDACTED] will only be held in short-term deposits with licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance for Hong Kong based deposits or the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits). We will make appropriate announcement(s) if there is any material change to the above proposed use of [REDACTED].

If the [REDACTED] is fully exercised, we will receive additional net [REDACTED] of approximately HK\$[REDACTED] million for [REDACTED] Shares to be allotted and issued upon the full exercise of the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range, and after deducting the [REDACTED] fees and commissions payable by us. The additional amount raised will be applied to the above areas of the use of [REDACTED] on a pro-rata basis. We expect to finance the shortfall if the net [REDACTED] of the [REDACTED] are less than our expected expenditure by using our internal funds and/or funds to be obtained from other financing activities, as appropriate.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountant’s Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ETERNAL BEAUTY HOLDINGS LIMITED AND BNP PARIBAS SECURITIES (ASIA) LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Eternal Beauty Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-60, which comprises the combined statements of financial position as at 31 March 2022, 2023 and 2024, the company statement of financial position as at 31 March 2024, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2022, 2023 and 2024 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[4] to I-[60] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountant’s Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified

APPENDIX I

ACCOUNTANT’S REPORT

Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 31 March 2024 and the combined financial position of the Group as at 31 March 2022, 2023 and 2024 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

APPENDIX I

ACCOUNTANT’S REPORT

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid by Eternal Beauty Holdings Limited in the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants

Hong Kong, [Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANT’S REPORT

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Revenue	5	1,674,654	1,699,144	1,863,761
Cost of sales	7	(813,221)	(843,153)	(925,570)
Gross profit		861,433	855,991	938,191
Selling and marketing expenses	7	(537,389)	(457,520)	(514,569)
Administrative expenses	7	(157,699)	(169,954)	(202,670)
Provision for impairment of financial assets	3.1(c)	(489)	(622)	(474)
Other income	6	13,382	12,057	12,346
Other gains/(losses), net	8	32,908	(16,818)	(1,272)
Operating profit		212,146	223,134	231,552
Finance income	11	7,786	6,468	8,063
Finance costs	11	(2,261)	(2,667)	(4,034)
Finance income, net		5,525	3,801	4,029
Share of loss of a joint venture	16	–	–	(2,964)
Profit before income tax		217,671	226,935	232,617
Income tax expense	12	(46,784)	(53,829)	(26,144)
Profit for the year		170,887	173,106	206,473
Other comprehensive (loss)/income <i>Items that may be subsequently reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations		(28,898)	39,148	17,333
Total comprehensive income for the year		141,989	212,254	223,806
Earnings per share attributable to owners of the Company				
Basic and diluted (expressed in RMB per share)	13	N/A	N/A	N/A

APPENDIX I

ACCOUNTANT’S REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment	17	21,430	16,139	19,561
Intangible assets	18	4,822	3,988	3,685
Right-of-use assets	19(a)	75,850	66,318	81,930
Investment in a joint venture	16	–	–	2,855
Amounts due from related companies . . .	33(f)	61,147	55,000	–
Deposits, prepayments and other receivables	22(b)	50,530	38,515	10,424
Deferred tax assets	20	11,575	12,025	17,142
		<u>225,354</u>	<u>191,985</u>	<u>135,597</u>
Current assets				
Inventories	24	417,753	357,578	390,309
Trade receivables	22(a)	116,511	156,959	175,279
Deposits, prepayments and other receivables	22(b)	61,742	52,670	113,861
Income tax recoverable		2,385	–	–
Amounts due from related companies . . .	33(f)	13	984	51,155
Amount due from a joint venture	16	–	–	13,514
Amount due from a shareholder	33(e)	–	110	271
Financial asset at fair value through profit or loss	3.3	290	463	–
Fixed deposits	23	–	13,388	–
Cash and cash equivalents	23	307,393	320,462	150,929
		<u>906,087</u>	<u>902,614</u>	<u>895,318</u>
Assets classified as held for sale	25	–	–	2,481
		<u>906,087</u>	<u>902,614</u>	<u>897,799</u>
Total assets		<u>1,131,441</u>	<u>1,094,599</u>	<u>1,033,396</u>
Equity and liabilities				
Equity				
Combined capital*	26	–	–	–
Reserves		512,565	535,398	458,545
Total equity		<u>512,565</u>	<u>535,398</u>	<u>458,545</u>

* The amounts as at 31 March 2022, 2023 and 2024 are below RMB1,000.

APPENDIX I

ACCOUNTANT’S REPORT

	<i>Notes</i>	As at 31 March		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities				
Non-current liabilities				
Provision for long service payment	29	852	780	1,658
Lease liabilities	19(b)	36,773	24,769	33,074
Total non-current liabilities		<u>37,625</u>	<u>25,549</u>	<u>34,732</u>
Current liabilities				
Trade and bills payables	27	229,491	113,498	93,223
Contract liabilities	5	21,541	23,015	16,307
Accruals and other payables	28	177,229	177,448	168,737
Provisions	29	7,484	8,718	9,836
Income tax payables		5,650	24,103	5,500
Amounts due to related companies	33(f)	56,543	61,941	7,045
Amount due to a director	33(d)	41,353	76,693	186,951
Amount due to a shareholder	33(e)	1,506	–	–
Lease liabilities	19(b)	40,454	48,236	52,520
Total current liabilities		<u>581,251</u>	<u>533,652</u>	<u>540,119</u>
Total liabilities		<u>618,876</u>	<u>559,201</u>	<u>574,851</u>
Total equity and liabilities		<u>1,131,441</u>	<u>1,094,599</u>	<u>1,033,396</u>

APPENDIX I

ACCOUNTANT’S REPORT

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	<u>As at 31 March</u>
		<u>2024</u>
		<i>RMB'000</i>
Assets		
Current assets		
Amount due from the immediate holding company		*
Prepayment for [REDACTED] expense	22(b)	<u>1,357</u>
Total assets		<u><u>1,357</u></u>
Equity		
Share capital	26	*
Accumulated losses		<u>(5,623)</u>
Total equity		<u><u>(5,623)</u></u>
Liabilities		
Current liabilities		
Accrued [REDACTED] expense	28	2,236
Amount due to a group company		<u>4,744</u>
Total liabilities		<u><u>6,980</u></u>
Total equity and liabilities		<u><u>1,357</u></u>

* The amount as at 31 March 2024 is below RMB1,000.

APPENDIX I

ACCOUNTANT’S REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	<i>Notes</i>	Combined capital (Note 26)	Translation reserve	Statutory reserve	Share-based compensation (Note 15)	Retained earnings	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 April 2021		–	(80,944)	3,352	12,835	563,463	498,706
Profit for the year		–	–	–	–	170,887	170,887
Other comprehensive loss		–	(28,898)	–	–	–	(28,898)
Total comprehensive (loss)/income for the year		–	(28,898)	–	–	170,887	141,989
Transactions with owners in their capacity as owners							
Dividends	14	–	–	–	–	(128,130)	(128,130)
Profit appropriation to statutory reserve		–	–	1,430	–	(1,430)	–
Balance at 31 March 2022		–	(109,842)	4,782	12,835	604,790	512,565
Balance at 1 April 2022		–	(109,842)	4,782	12,835	604,790	512,565
Profit for the year		–	–	–	–	173,106	173,106
Other comprehensive income		–	39,148	–	–	–	39,148
Total comprehensive income for the year		–	39,148	–	–	173,106	212,254
Transactions with owners in their capacity as owners							
Dividends	14	–	–	–	–	(189,421)	(189,421)
Balance at 31 March 2023		–	(70,694)	4,782	12,835	588,475	535,398
Balance at 1 April 2023		–	(70,694)	4,782	12,835	588,475	535,398
Profit for the year		–	–	–	–	206,473	206,473
Other comprehensive income		–	17,333	–	–	–	17,333
Total comprehensive income for the year		–	17,333	–	–	206,473	223,806
Transaction with owners in their capacity as owners							
Share option scheme – Value of grantee services		–	–	–	13,679	–	13,679
Incorporation of the Company	26	*	–	–	–	–	*
Dividends	14	–	–	–	–	(314,338)	(314,338)
Balance at 31 March 2024		–	(53,361)	4,782	26,514	480,610	458,545

* The amount as at 31 March 2024 are below RMB1,000.

APPENDIX I

ACCOUNTANT’S REPORT

COMBINED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 March		
		2022	2023	2024
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash flows from operating activities				
Cash generated from operations	30(a)	156,694	244,018	224,738
Income tax paid, net		<u>(85,424)</u>	<u>(33,887)</u>	<u>(49,836)</u>
Net cash generated from operating activities		<u>71,270</u>	<u>210,131</u>	<u>174,902</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	17	(22,025)	(13,211)	(27,587)
Purchase of intangible assets		(4,626)	(3,054)	(2,443)
Proceeds from disposal of property, plant and equipment	30(b)	1,021	599	163
Repayment of loan to a director		8,018	–	–
Redemption of fixed deposit		–	–	13,388
Payments for in fixed deposit		–	(13,388)	–
Interest received	11	7,786	6,468	8,063
Payment for investment in a joint venture	16	–	–	(5,607)
Fund advanced to amounts due from related companies		–	(2,789)	(2,502)
Fund advanced to amount due from a joint venture		<u>–</u>	<u>–</u>	<u>(13,430)</u>
Net cash used in investing activities . .		<u>(9,826)</u>	<u>(25,375)</u>	<u>(29,955)</u>

APPENDIX I

ACCOUNTANT’S REPORT

	<i>Notes</i>	Year ended 31 March		
		2022	2023	2024
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash flows from financing activities				
Interest paid	<i>11</i>	(65)	–	–
Repayments of bank borrowings	<i>30(c)</i>	(6,102)	–	–
Payment of interest element of lease liabilities	<i>30(c)</i>	(2,196)	(2,667)	(4,034)
Payment of principal element of lease liabilities	<i>30(c)</i>	(29,565)	(50,211)	(61,229)
Dividends paid		(200,336)	(145,631)	(194,666)
Advance from a shareholder	<i>30(c)</i>	1,791	–	–
Repayment to a shareholder	<i>30(c)</i>	–	(1,614)	(156)
Repayment to related parties	<i>30(c)</i>	(14,605)	(5,162)	(61,017)
Advance from a director	<i>30(c)</i>	44,154	79	13,117
Repayment to a director	<i>30(c)</i>	(8,051)	(10,319)	(26,348)
Payment of [REDACTED] expenses		–	–	(1,022)
Net cash used in financing activities		<u>(214,975)</u>	<u>(215,525)</u>	<u>(335,355)</u>
Net decrease in cash and cash equivalents				
Effect of foreign exchange rate changes		(38,153)	43,838	20,875
Cash and cash equivalents at beginning of the year		<u>499,077</u>	<u>307,393</u>	<u>320,462</u>
Cash and cash equivalents at end of the year	<i>23</i>	<u><u>307,393</u></u>	<u><u>320,462</u></u>	<u><u>150,929</u></u>

For major non-cash transactions for the years ended 31 March 2022, 2023 and 2024, please refer to Note 30(d).

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Eternal Beauty Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company under the Companies Act, Cap 22 (Law 3 of 1961) of the Cayman Islands with limited liability on 9 January 2024. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in retail, wholesale and distribution of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances in the People’s Republic of China (“PRC”) including Hong Kong and Macau (“[REDACTED] Business”).

The ultimate controlling shareholder of the Company as at the date of this report is Mr. Lau Kui Wing (“Mr. Lau”) and Ms. Chan Wai Chun (“Mrs. Lau”). The ultimate controlling company of the Company as at the date of this report is Eternal Beauty International Limited which was incorporated in the British Virgin Islands on 8 January 2024 and is wholly-owned by Mr. Lau and Mrs. Lau.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the [REDACTED] Business was mainly carried out by Eternal Holdings Limited (“Eternal BVI”) and its subsidiaries (collectively the “Operating Companies”) and Visual Promotion Limited (“Visual Promotion”) which is beneficially owned by Mr. Lau. Before the completion of the Reorganisation, the controlling shareholders of Operating Companies were Mr. Lau and Mrs. Lau. During the Trade Record Period, in order to streamline the Group’s structure and to conduct the [REDACTED] Business under the “Eternal” brand, the Group gradually diminished the business scale of Visual Promotion and ceased to conduct any business since April 2024.

In preparing for the [REDACTED] (“[REDACTED]”) and [REDACTED] (the “[REDACTED]”) of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Operating Companies underwent the Reorganisation by inserting a new holding company of the Operating Companies. The following transactions were carried out:

1.2.1 Incorporation of the Company by Mr. Lau

On 9 January 2024, the Company was incorporated in the Cayman Islands. On the same day, one share was issued and transferred to Eternal Beauty International Limited (“Eternal International”) and the Company was then wholly-owned by Eternal Beauty International Limited.

1.2.2 Establishment of Eternal Development by Eternal BVI

On 23 January 2024, Shanghai Eternal Enterprise Development Co., Ltd. (“Eternal Development”) was established in the PRC as a wholly foreign owned enterprise and was wholly owned by Eternal China Limited, a directly wholly owned subsidiary of Eternal BVI.

1.2.3 Establishment of the PRC subsidiaries under Eternal Development

On 28 February 2024, 29 February 2024 and 14 March 2024, Shanghai Eternal Trading Co., Ltd., Shanghai Eternal Brand Management Co., Ltd. and Shanghai Eternal Import and Export Co., Ltd. were established in the PRC as wholly owned subsidiaries of Eternal Development, respectively.

1.2.4 Allotment of shares of Eternal Optical & Perfumery (Far East) Limited (“Eternal Far East”) to Eternal BVI and transfer of shares from Mr. Lau and Mrs. Lau to Eternal BVI

During the Track Record Period and immediately before the reorganisation, 7,000 shares, 2,000 shares and 1,000 shares of Eternal Far East were held by Eternal BVI, Mr. Lau and Mrs. Lau as to 70%, 20% and 10%, respectively. On 9 May 2024, 9,990,000 ordinary shares of Eternal Far East were allotted and issued to Eternal BVI credited as fully-paid. Immediately after such allotment and issuance, each of Eternal BVI, Mr. Lau and Mrs. Lau held 99.97%, 0.02% and 0.01% of Eternal Far East, respectively.

On 17 June 2024, Mr. Lau and Mrs. Lau transferred 2,000 and 1,000 ordinary shares of Eternal Far East to Eternal BVI, respectively. As consideration, Eternal BVI allotted and issued 9 shares credited as fully paid at par to the Company at the direction of Mr. Lau and Mrs. Lau. Immediately after such transfers, Eternal Far East became wholly-owned by Eternal BVI.

APPENDIX I

ACCOUNTANT’S REPORT

1.2.5 Transfer of shares of Eternal BVI from Mr. Lau to the Company

On 18 June 2024, Mr. Lau transferred his only one issued share of Eternal BVI to the Company. As consideration, the Company allotted and issued one share credited as fully-paid at par to Eternal International. Immediately after such transfer, Eternal BVI became directly wholly-owned by the Company.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Percentage of attributable equity interest			As at the date of this report	Principal activities	Notes
			As at 31 March					
			2022	2023	2024			
Directly held subsidiary								
Eternal Holdings Limited	British Virgin Islands, 7 April 1995	1 share of US\$1 per share	N/A	N/A	N/A	N/A	Investment holding	(iii)
Indirectly held subsidiaries								
Eternal Optical & Perfumery (Far East) Limited (穎通(遠東)有限公司)	Hong Kong, 18 February 1983	10,000 shares of HK\$100 per share	100%	100%	100%	100%	Trading and retailing of perfumes, skincare products, color cosmetics and eyewear	(iv)
E & C Holdings Limited	Hong Kong, 2 September 2021	10,000 shares of HK\$1 per share	100%	100%	100%	100%	Investment holding	(v)
E & C (Hong Kong) Trading Limited (穎得(香港)貿易有限公司)	Hong Kong, 30 November 2021	1,000,000 shares of HK\$1 per share	100%	100%	100%	100%	Trading and retailing of perfumes	(v)
E China Trading Limited (永欣中國貿易有限公司)	Hong Kong, 7 November 2018	10,000 shares of HK\$1 per share	100%	100%	100%	100%	Investment holding	(v)
Eternal China Limited (穎通中國有限公司)	Hong Kong, 10 April 2017	1 share of HK\$1 per share	100%	100%	100%	100%	Investment holding	(v)
Excellent Fareast Limited (卓俊遠東有限公司)	Hong Kong, 22 October 1996	300,000 shares of HK\$1 per share	100%	100%	100%	100%	Trading and retailing of perfumes, color cosmetics and skincare products	(v)
Moral Happiness Limited (喜賢有限公司)	Hong Kong, 1 October 2021	10,000 shares of HK\$1 per share	100%	100%	100%	100%	Dormant	(v)
Talent Crown Limited (杰冠有限公司)	Hong Kong, 8 October 2021	10,000 shares of HK\$1 per share	100%	100%	100%	100%	Retailing of skincare products	(v)
CREED Shanghai Cosmetics Limited (上海穎愷德化妝品有限公司)	PRC, 2 December 2021	RMB10,000,000	100%	100%	100%	100%	Trading and retailing of perfumes	(ii), (iii)
Eternal (Shanghai) Trading Co., Ltd (穎通(上海)貿易有限公司)	PRC, 30 July 2008	HK\$20,000,000	100%	100%	100%	100%	Dormant	(ii), (viii)
Shanghai Yierpai Advertising Ltd (上海一派廣告有限公司)	PRC, 1 December 2021	RMB500,000	100%	100%	100%	100%	Dormant	(ii), (viii)

APPENDIX I

ACCOUNTANT’S REPORT

Company name	Country/place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Percentage of attributable equity interest			As at the date of this report	Principal activities	Notes
			As at 31 March					
			2022	2023	2024			
Eternal (Xi’an) Trading Co., Ltd (穎通(西安)貿易有限公司)	PRC, 19 December 2023	RMB1,000,000	N/A	N/A	100%	100%	Retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Eternal Beauty (Shenzhen) Trading Co., Ltd (穎通美業(深圳)貿易有限公司)	PRC, 30 June 2023	RMB1,000,000	N/A	N/A	100%	100%	Retailing of color cosmetics, and skincare products	(ii), (viii)
Eternal (Shanghai) Cosmetics Ltd (上海穎通化妝品有限公司)	PRC, 15 February 2019	RMB10,000,000	100%	100%	100%	100%	Trading and retailing of perfumes, color cosmetics, and skincare products	(vi), (viii)
Eternal Beauty (Shanghai) Trading Co., Ltd (穎通美妍(上海)貿易有限公司)	PRC, 14 August 2023	RMB1,000,000	N/A	N/A	100%	100%	Retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Eternal (China) International Trading Co., Ltd (穎通(中國)國際貿易有限責任公司)	PRC, 7 January 2019	RMB50,000,000	100%	100%	100%	100%	Investment holding	(ii), (viii)
Eternal (Beijing) Trading Co., Ltd (穎通(北京)貿易有限公司)	PRC, 19 April 2019	RMB1,000,000	100%	100%	100%	100%	Retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Eternal Shanghai Optical Ltd (上海穎通光學有限公司)	PRC, 10 June 2021	RMB1,000,000	100%	100%	100%	100%	Trading of eyewear	(ii), (viii)
Guangzhou Eternal Business Consulting Co., Ltd (廣州穎通商務諮詢有限公司)	PRC, 24 January 2019	RMB1,000,000	100%	100%	100%	100%	Procurement of perfumes and color cosmetics	(ii), (viii)
Eternal (Chengdu) Trading Co., Ltd (穎通(成都)貿易有限公司)	PRC, 18 April 2019	RMB1,000,000	100%	100%	100%	100%	Retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Eternal Digintelligence Corporation (上海穎通科技應用有限公司)	PRC, 14 May 2021	RMB30,000,000	100%	100%	100%	100%	System support and development	(ii), (viii)

APPENDIX I

ACCOUNTANT’S REPORT

Company name	Country/place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Percentage of attributable equity interest			As at the date of this report	Principal activities	Notes
			As at 31 March					
			2022	2023	2024			
Guangzhou Huisheng Trading Co., Ltd (廣州慧昇貿易有限公司)	PRC, 15 October 2014	RMB25,000,000	100%	100%	100%	100%	Trading of perfumes, skincare products, and color cosmetics	(vii), (viii)
Eternal (Guangzhou) Trading Co., Ltd (穎通(廣州)貿易有限公司)	PRC, 24 June 2019	RMB1,000,000	100%	100%	100%	100%	Retailing of color cosmetics, and skincare products	(ii), (viii)
Shanghai Smiley Beauty Cosmetics Limited (上海微笑美肌化妝品有限公司)	PRC, 3 May 2020	RMB1,000,000	100%	100%	100%	100%	Trading of color cosmetics and skincare products	(ii), (viii)
Shanghai Yongxin Trading Co., Ltd (上海永欣貿易有限公司)	PRC, 12 March 2013	RMB1,000,000	100%	100%	100%	100%	Trading of perfumes and color cosmetics	(ii), (viii)
Shanghai Zhuangwei Advertising Ltd (上海莊味廣告有限公司)	PRC, 1 December 2021	RMB500,000	100%	100%	100%	100%	Dormant	(ii), (viii)
Shanghai Eternal Enterprise Development Co., Ltd. (上海穎通企業發展有限公司)	PRC, 23 January 2024	RMB100,000,000	N/A	N/A	100%	100%	Investment holding	(ii), (viii)
Shanghai Eternal Trading Co., Ltd. (上海穎通商貿有限公司)	PRC, 28 February 2024	RMB10,000,000	N/A	N/A	100%	100%	Trading and retailing of perfumes, color cosmetics, and skincare products	(ii), (viii)
Shanghai Eternal Brand Management Co., Ltd. (上海穎通品牌管理有限公司)	PRC, 29 February 2024	RMB1,000,000	N/A	N/A	100%	100%	Brand management	(ii), (viii)
Shanghai Eternal Import and Export Co., Ltd (上海穎通進出口有限公司)	PRC, 14 March 2024	RMB1,000,000	N/A	N/A	100%	100%	Trading of perfumes, color cosmetics, and skincare products	(ii), (viii)

Notes:

- (i) Except for the PRC subsidiaries which adopted 31 December as its financial year end date, all companies comprising the Group have adopted 31 March as their financial year end date.
- (ii) No audited financial statements have been issued for these companies for the years ended 31 December 2021, 2022 and 2023.
- (iii) No audited financial statements have been issued for these companies for the years ended 31 March 2022, 2023 and 2024.

APPENDIX I

ACCOUNTANT’S REPORT

- (iv) The statutory financial statements of this company for the years ended 31 March 2022 and 2023 were audited by PricewaterhouseCoopers. Up to the date of this report, the audited financial statements of this company for the year ended 31 March 2024 have not been issued.
- (v) The statutory financial statements of these companies for the years ended 31 March 2022, 2023 and 2024 were audited by WKL & Partners C.P.A. Limited.
- (vi) The financial statements of this company for the years ended 31 December 2021, 2022 and 2023 were audited by Shanghai Hddy Certified Public Accountants Co., Ltd (上海宏大東亞會計師事務所).
- (vii) The financial statements of this company for the years ended 31 December 2021 and 2022 were audited by Guangdong Mingxin Certified Public Accountants Co., Ltd. (廣東明心會計師事務所). Up to the date of this report, the audited financial statements of this company for the year ended 31 December 2023 have not been issued.
- (viii) The English name of the company referred above represents the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business is mainly conducted through the subsidiaries of Eternal BVI and Visual Promotion which are under common control by the controlling shareholder of the Group. Pursuant to the Reorganisation, Eternal BVI is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. Visual Promotion was ceased to be involved in the [REDACTED] Business in April 2024.

The Reorganisation is a recapitalisation of the [REDACTED] Business with no change in management of such business and the ultimate owners of the [REDACTED] Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [REDACTED] Business under the Company and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the [REDACTED] Business, with the assets and liabilities of the Group recognised, included these relating to the [REDACTED] Business involved by subsidiaries of Eternal BVI and Visual Promotion, and measured at the carrying amounts of the [REDACTED] Business under the combined financial statements of the Eternal BVI and Visual Promotion for all periods presented.

2 BASIS OF PREPARATION

The Historical Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRSs comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information has been prepared under the historical cost convention, except for financial asset at fair value through profit or loss (“FVPL”), which is measured at fair value.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s 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.

APPENDIX I

ACCOUNTANT’S REPORT

The following amendments to standards and interpretation have been issued but are not effective during the Track Record Period, and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendment to HKFRS 16	Lease Liabilities in a Sales and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to Hong Kong Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group plans to adopt the above amendments to standards and interpretation when they become effective. According to the preliminary assessment made by the directors of the Company, these amendments to standards are either not relevant to the Group or not significant to the financial performance and positions of the Group when they become effective.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Risk management is carried out under policies approved by the directors. The directors provide principles for overall risk management.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong Dollar (“HK\$”), the Euros (“EUR”), the British Pound Sterling (“GBP”) and the United States Dollar (“US\$”). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages its foreign exchange risks by performing regular reviews and monitoring of its foreign exchange exposures.

If HK\$ had weakened/strengthened by 5% against the RMB with all other variables held constant, pre-tax profit for the year would have been approximately RMB5,724,000 higher/lower, RMB52,000 higher/lower, RMB1,758,000 higher/lower as at 31 March 2022, 2023 and 2024, respectively, mainly as a result of foreign exchange gains/losses on translation of HK\$ denominated cash and cash equivalents, trade receivables, other receivables, accruals, provisions and other payable.

If EUR had weakened/strengthened by 5% against the RMB with all other variables held constant, pre-tax profit for the year would have been approximately RMB8,848,000 higher/lower, RMB3,731,000 higher/lower, RMB2,258,000 higher/lower as at 31 March 2022, 2023 and 2024, respectively, mainly as a result of foreign exchange gains/losses on translation of EUR denominated cash and cash equivalents, other receivables, trade payables, accruals, provisions and other payable.

If GBP had weakened/strengthened by 5% against the RMB with all other variables held constant, pre-tax profit for the year would have been approximately RMB3,202,000 lower/higher, RMB703,000 lower/higher, RMB7,000 lower/higher as at 31 March 2022, 2023 and 2024, respectively, mainly as a result of foreign exchange losses/gains on translation of GBP denominated cash and cash equivalents.

APPENDIX I

ACCOUNTANT’S REPORT

If US\$ had weakened/strengthened by 5% against the RMB with all other variables held constant, pre-tax profit for the year would have been approximately RMB609,000 lower/higher, RMB5,748,000 lower/higher, RMB385,000 lower/higher as at 31 March 2022, 2023 and 2024, respectively, mainly as a result of foreign exchange losses/gains on translation of US\$ denominated cash and cash equivalents, trade receivables, other receivables, trade payable and accruals, provisions and other payable.

(b) Cash flow and fair value interest rate risk

The Group’s income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets except for cash and cash equivalents and fixed deposits measured at amortised cost.

(c) Credit risk

(i) Risk management

Credit risk of the Group mainly arises from deposits and financial asset at fair value through profit or loss with banks and financial institutions, as well as credit exposures to trade receivables, deposits and other receivables, amounts due from related companies, amount due from a joint venture and amount due from a shareholder. The carrying amounts of these balances on the statement of financial position represent the Group’s maximum exposure to credit risk in relation to its financial assets.

The Group’s bank deposits and financial asset at fair value through profit or loss are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

For trade receivables, the normal credit terms with customers are between 30 and 90 days. There are policies in place by the Group to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit quality of the customers is assessed, which takes into account their financial position, past experience and other factors. In view of the history of business dealings with these customers and the collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group’s outstanding receivable balance due from these customers. Management makes periodic assessment on the recoverability of trade receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group’s historical experience in collection of trade receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Historical Financial Information.

The credit quality of the deposit and other receivables, amounts due from related companies, amount due from a joint venture and amount due from a shareholder have been assessed with reference to historical information about the counterparty default and financial position of the counterparty. Management does not believe the credit risk in relation to the deposit and other receivables and related companies/parties are significant, considering there are no history of defaults in the past and management does not expect any losses from non-performance by these counterparties and related companies/parties.

(ii) Impairment of financial assets

The Group’s financial assets, including trade receivables, deposits and other receivables, amount due from a joint venture, amount due from a shareholder and amounts due from related companies, are subject to the expected credit loss model. While cash and cash equivalents and fixed deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they are mainly deposited in reputable and creditworthy banks and financial institutions.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

APPENDIX I

ACCOUNTANT’S REPORT

Measurement of expected credit loss — individual basis

To measure the expected credit losses, the management assessed the credit risk of listed customers individually with reference to the credit rating report in the market and also the default history of the customers. The loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product growth and the money supply in Hong Kong, and gross domestic product growth and merchandise trade balance in PRC to be the most relevant forward-looking factors, and accordingly adjust the default rate based on expected changes in these factors. As those customers are classified as investment grade with reference to the Moody’s credit agency report, the Directors of the Company are of the opinion that the expected credit loss of these customers is not significant.

Measurement of expected credit loss — collective basis

To measure the expected credit losses, the management assessed the credit risk of non-listed customers collectively with reference to the general industrial default risk and also the default history of those customers. The loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product growth and the money supply in Hong Kong, and gross domestic product growth and merchandise trade balance in PRC to be the most relevant forward-looking factors, and accordingly adjust the default rate based on expected changes in these factors.

In addition to the individual and collective assessment of the listed and non-listed customers respectively, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for separate provision for impairment allowance.

The following table presents the balances of gross carrying amount and the respective loss allowance as at end of each reporting period.

	As at 31 March		
	2022	2023	2024
Gross carrying amount (RMB’000).	116,886	157,243	175,726
Expected credit loss rates . . .	0.32%	0.18%	0.25%
Loss allowance (RMB’000) . .	<u>(375)</u>	<u>(284)</u>	<u>(447)</u>
Net carrying amount (RMB’000).	<u>116,511</u>	<u>156,959</u>	<u>175,279</u>

The loss allowance provision for trade receivables as at 31 March 2022, 2023 and 2024 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables
	RMB’000
As at 1 April 2021	180
Provision for impairment	197
Exchange difference	<u>(2)</u>
As at 31 March 2022	375
Reversal of provision for impairment	(92)
Exchange difference	<u>1</u>
As at 31 March 2023	284
Provision for impairment	162
Exchange difference	<u>1</u>
As at 31 March 2024	<u>447</u>

APPENDIX I

ACCOUNTANT’S REPORT

Other financial assets at amortised cost

Other financial assets at amortised cost including deposits and other receivables, amounts due from related companies, amount due from a joint venture and amount due from a shareholder are subject to impairment requirement of HKFRS 9. The Group has assessed that the expected credit losses for these balances under general approach. The credit quality of these balances have been assessed with reference to historical information about the default rates and financial position of the counterparties. As at 31 March 2022, 2023 and 2024, loss allowances of RMB7,092,000, RMB7,805,000 and RMB8,116,000 have been provided for deposits and other receivables, respectively. Except for these counterparties, management is of the opinion that the credit risk of amounts due from related companies, amount due from a joint venture and amount due from a shareholder are low due to the sound collection history and financial stability of the counterparties. Therefore, expected credit loss rate of these balances is assessed to be immaterial as at 31 March 2022, 2023 and 2024.

The loss allowance provision for deposits and other receivables as at 31 March 2022, 2023 and 2024 reconciles to the opening loss allowance for that provision as follows:

	Deposits and other receivables
	<i>RMB'000</i>
As at 1 April 2021	6,800
Provision for impairment	292
Exchange difference	–
As at 31 March 2022	<u>7,092</u>
Provision for impairment	714
Exchange difference	(1)
As at 31 March 2023	<u>7,805</u>
Provision for impairment	312
Exchange difference	(1)
As at 31 March 2024	<u><u>8,116</u></u>

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the Group’s working capital to ensure that all liabilities due and known funding requirements could be met. In order to meet their liquidity requirements in the short and longer term, the Group may adjust the amount of dividends paid to shareholders and drawdown available bank facilities. Further, management performs monthly review of receivables and payables ageing analysis to ensure the Group is able to maintain sufficient financial resources to meet its liquidity requirements and to follow up on any overdue balances.

The tables below analyse the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date for:

- (a) All financial asset at fair value through profit or loss; and
- (b) Net and gross settled financial asset at fair value through profit or loss financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

APPENDIX I

ACCOUNTANT’S REPORT

As at 31 March 2022

	<u>On demand</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables	–	229,491	–	–	229,491
Accruals and other payables	–	139,615	–	–	139,615
Amounts due to related companies.	56,543	–	–	–	56,543
Amount due to a director	41,353	–	–	–	41,353
Amount due to a shareholder	1,506	–	–	–	1,506
Lease liabilities and interest payments	–	40,517	27,021	12,495	80,033
	<u>99,402</u>	<u>409,623</u>	<u>27,021</u>	<u>12,495</u>	<u>548,541</u>
Financial asset at its fair value					
Gross settled (foreign currency contract)					
– Inflow	–	77,046	–	–	77,046
– (Outflow)	–	(76,756)	–	–	(76,756)
	<u>–</u>	<u>290</u>	<u>–</u>	<u>–</u>	<u>290</u>

As at 31 March 2023

	<u>On demand</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	113,498	–	–	113,498
Accruals and other payables	–	121,327	–	–	121,327
Amounts due to related companies.	61,941	–	–	–	61,941
Amount due to a director	76,693	–	–	–	76,693
Lease liabilities and interest payments	–	51,109	22,498	2,302	75,909
	<u>138,634</u>	<u>285,934</u>	<u>22,498</u>	<u>2,302</u>	<u>449,368</u>
Financial asset at its fair value					
Gross settled (foreign currency contract)					
– Inflow	–	165,249	–	–	165,249
– (Outflow)	–	(164,786)	–	–	(164,786)
	<u>–</u>	<u>463</u>	<u>–</u>	<u>–</u>	<u>463</u>

As at 31 March 2024

	<u>On demand</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	93,223	–	–	93,223
Accruals and other payables	–	123,161	–	–	123,161
Amounts due to related companies.	7,045	–	–	–	7,045
Amount due to a director	186,951	–	–	–	186,951
Lease liabilities and interest payments	–	54,115	28,911	7,741	90,767
	<u>193,996</u>	<u>270,499</u>	<u>28,911</u>	<u>7,741</u>	<u>501,147</u>

APPENDIX I

ACCOUNTANT’S REPORT

3.2 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group mainly uses equity to finance its operations. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or repay bank borrowings when cash received from non-trade receivables. Also, the Group continues to monitor and maintain the sufficiency of banking facilities for its operations.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents and fixed deposits. Total capital is calculated as “equity” as shown in the combined statements of financial position, plus net debt.

The gearing ratio at 31 March 2022, 2023 and 2024 were as follows:

	Notes	As at 31 March		
		2022	2023	2024
		RMB’000	RMB’000	RMB’000
Lease liabilities	19(b)	77,227	73,005	85,594
Less: Cash and cash equivalents	23	(307,393)	(320,462)	(150,929)
Less: Fixed deposits	23	–	(13,388)	–
Net cash		(230,166)	(260,845)	(65,335)
Total equity		512,565	535,398	458,545
Total capital		282,399	274,553	393,210
Gearing ratio		N/A	N/A	N/A

3.3 Fair value estimation

The carrying values of trade receivables, deposits and other receivables, amounts due from related companies, amount due from a joint venture, amount due to a shareholder, fixed deposits, cash and cash equivalents, trade and bills payables, accruals and other payables, amounts due to related companies, amount due to a shareholder, amount due to a director and lease liabilities are a reasonable approximation of their fair values and financial asset at FVPL is stated at fair value. The fair value of financial asset and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

APPENDIX I

ACCOUNTANT’S REPORT

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets measured at fair value in the combined statement of financial positions are grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 March 2022				
Assets				
Financial asset at FVPL	–	290	–	290
	=	=	=	=
	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 March 2023				
Assets				
Financial asset at FVPL	–	463	–	463
	=	=	=	=

There were no transfers between levels 1, 2 and 3 during the year ended 31 March 2022 and 2023.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of non-financial assets

The Group’s management assesses at the end of each reporting period whether there is objective evidence that the investments in non-financial assets, including property, plant and equipment, right-of-use assets and intangible assets are impaired. The assessment of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the assets and impairment in the period in which such estimates have been changed.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting date.

(c) Provision of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing marketing conditions as well as forward looking estimates at the end of each reporting period.

(d) Current and deferred income taxes

The Group is subject to income tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for income tax in each of these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Deferred tax liabilities relating to temporary differences between the carrying amount and tax bases of investments in foreign operations are not recognised where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets/liabilities and taxation charges in the period in which such estimate is changed.

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision maker (the “CODM”), has been identified as the executive directors of the Company that make strategic decisions. The CODM regards the Group’s business as a single operating segment and review Historical Financial Information accordingly. As the Group has only one operating segment qualified as reporting segment under HKFRS 8 and the information that regularly reviewed by the executive directors for the purposes of allocating resources and assessing performance of the operating segment is the Historical Financial Information of the Group, no separate segmental analysis is presented in the Historical Financial Information.

Since all of the Group’s revenue and operating profit are generated from the PRC (including Hong Kong and Macau) during the Track Record Period, no geographical information is presented.

As at 31 March 2022, 2023 and 2024, all the Group’s non-current assets are located in the PRC (including Hong Kong and Macau).

During the Track Record Period, no customer individually contributes 10% or above of the Group’s total revenue. Accordingly, no analysis of major customers was presented for the Track Record Period.

The revenue recognised during the Track Record Period is as follows:

	Year ended 31 March		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Sales of goods, net of sales rebates, discounts and returns	1,637,054	1,666,931	1,852,558
Service income.	37,600	32,213	11,203
	<u>1,674,654</u>	<u>1,699,144</u>	<u>1,863,761</u>
Timing of revenue recognition			
– At a point in time.	1,637,054	1,666,931	1,852,558
– Over time.	37,600	32,213	11,203
	<u>1,674,654</u>	<u>1,699,144</u>	<u>1,863,761</u>

APPENDIX I

ACCOUNTANT’S REPORT

The Group has recognised the following liabilities related to contracts with customers:

	As at 1 April	As at 31 March		
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities (<i>Note</i>)	9,629	21,541	23,015	16,307

Note: Contract liabilities are recognised by the Group when the customer pays consideration but before the Group sells the goods to the customer.

The following table shows the revenue recognised during the Track Record Period related to carried-forward contract liabilities.

	Year ended 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year.	9,629	21,541	23,015

The Group has elected the practical expedient for not to disclose the remaining performance obligation because the performance obligation is part of a contract that have an original expected duration of one year or less.

Accounting policies of revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts granted. Discounts granted to customers are classified as a reduction of revenue. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group’s activities as described below.

(a) Sales of goods

The Group operates a chain of retail stores and consignment counters in the PRC (including Hong Kong and Macau) selling perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances. Revenue from the sale of goods is recognised when control of the products has transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the products.

The Group also engages in the wholesale and distribution of perfumes, skincare products, color cosmetics, personal care products, eyewear and home fragrances to the wholesalers and distributors in the PRC (including Hong Kong and Macau). Sales are recognised when control of the products has transferred, being when the products are delivered to the retailers and distributors, the retailers and distributors have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler and distributor’s acceptance of the products.

(b) Service income

The Group operates and manages the daily operation of the online and offline stores of certain customers under their brand names and charge service fee in connection therewith. Revenue from rendering of services is recognised over the period in which the services are rendered.

APPENDIX I

ACCOUNTANT’S REPORT

(c) Sales rebates

Retrospective sales rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are recognised in contract liabilities of the Group. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. Accumulated experience is used to estimate the provision for the sales rebates and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

(d) Sales returns

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount to which the Group will be entitled. Refund liabilities, which are reduced from revenue, are estimated based on historical data the Group has maintained and subject to adjustments to the extent that actual returns differ or expected to differ.

(e) Significant financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(f) Principal versus agent analysis

In determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal who obtains control any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group’s behalf; (iii) a good or service from the other party that the Group then consolidates with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group recognise revenue on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

The Group has assessed the revenue recognition of all its revenue stream based on the abovementioned factors and considered that the Group is acting as a principal in the sales of goods or services. As such, the Group should recognise the revenue on a gross basis.

(g) Contract liabilities

When either party to a contract has performed, the Group presents the contract in the statement of financial position as contract assets or contract liabilities, depending on the relationship between the Group’s performance and the customer’s payment. Contract liabilities are the Group’s obligation to transfer products or services to its customer for which the Group has received consideration from the customer.

APPENDIX I

ACCOUNTANT’S REPORT

6 OTHER INCOME

	Year ended 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Government grants (<i>Note</i>)	13,308	11,979	10,748
Management fee income (<i>Note 33</i>).	74	78	1,598
	<u>13,382</u>	<u>12,057</u>	<u>12,346</u>

Note: Government grants are related to financial support fund in the PRC and HKSAR government’s Employment Support Scheme. There are no unfulfilled conditions or other contingencies attaching to these grants.

Accounting policies of other income

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the combined statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

7 EXPENSES BY NATURE

	Year ended 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cost of inventories sold (<i>Note 24</i>)	782,710	801,337	891,178
Provision for impairment of inventories (<i>Note 24</i>)	2,021	3,767	6,312
Employee benefit expenses (<i>Note 9</i>).	303,440	336,194	377,216
Advertising and promotion expenses, net of reimbursement received	210,129	113,537	80,340
Expenses relating to variable lease payments (<i>Note 19(c)</i>)	40,249	34,570	51,700
Expenses relating to short-term leases (<i>Note 19(c)</i>)	21,258	26,338	29,318
Depreciation of property, plant and equipment (<i>Note 17</i>)	15,208	16,325	23,051
Amortisation of intangible assets (<i>Note 18</i>)	638	853	1,602
Depreciation of right-of-use assets (<i>Note 19(c)</i>)	39,004	50,889	57,635
Provision for impairment of property, plant and equipment (<i>Note 17</i>)	–	2,570	33
Provision for impairment of right-of-use assets (<i>Note 19(c)</i>)	–	4,704	63
Rent concession (<i>Note</i>)	(1,254)	–	–
Auditors’ remuneration			
– audit services	1,304	507	490
– non-audit services	–	–	214
Warehousing and logistic expenses	25,295	26,872	26,131
Travelling expenses	3,785	3,827	13,266
Office expenses	13,671	11,839	13,456
[REDACTED] expenses	–	–	[REDACTED]
Others	<u>50,851</u>	<u>36,498</u>	<u>65,181</u>
Total cost of sales, selling and marketing expenses and administrative expenses	<u>1,508,309</u>	<u>1,470,627</u>	<u>[REDACTED]</u>

Note: During the year ended 31 March 2022, rent concession related to Covid-19 amounted to RMB1,254,000 was included in selling and marketing expenses.

APPENDIX I

ACCOUNTANT’S REPORT

8 OTHER GAINS/(LOSSES), NET

	Year ended 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Exchange gains/(losses), net.	31,815	(17,429)	(1,584)
Gains/(losses) on financial asset at FVPL	296	145	(479)
Gains on early termination of leases.	22	21	844
Gains/(losses) on disposal of property, plant and equipment (<i>Note 30(b)</i>)	775	445	(53)
	<u>32,908</u>	<u>(16,818)</u>	<u>(1,272)</u>

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses.	255,739	282,457	302,964
Pension costs – defined contribution plan	42,820	51,619	55,279
Other welfare and allowances.	3,187	1,793	3,938
Provision for/(reversal of) long service payment	768	(144)	1,046
Provision for unutilised annual leave	926	469	394
Share-based payment expense (<i>Note 15</i>)	–	–	13,595
	<u>303,440</u>	<u>336,194</u>	<u>377,216</u>

Accounting policies of employee benefit expenses

(a) Short-term obligations

Liabilities for wages and salaries are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the combined statements of financial position.

(b) Pension obligations

The subsidiaries in Hong Kong participate in a defined contribution plan in Hong Kong and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The subsidiaries in the PRC participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employees in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

During the years ended 31 March 2022, 2023 and 2024, no forfeited contributions were utilised by the Group to reduce its contributions for the years.

(c) Bonus

The Group recognises a liability and an expense for bonus where contractually obliged or where there is a past practice that has created a constructive obligation.

APPENDIX I

ACCOUNTANT’S REPORT

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

10 FIVE HIGHEST PAID SALARIES INFORMATION

For each of the years ended 31 March 2022, 2023 and 2024, the five individuals whose emoluments were the highest in the Group include 3, 3 and 3 directors, whose emoluments were reflected in Note 33. The emoluments paid to the remaining 2, 2 and 2 individuals, respectively, are as follows:

	Year ended 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and bonuses	4,553	4,693	4,864
Pension costs – defined contribution plan	260	285	304
Share-based payment expense	–	–	5,011
	<u>4,813</u>	<u>4,978</u>	<u>10,179</u>

The emoluments of above individuals are within the following bands:

	Number of individuals Year ended 31 March		
	2022	2023	2024
Emoluments bands			
HK\$2,000,001 to HK\$2,500,000	1	1	1
HK\$2,500,001 to HK\$3,000,000	–	–	–
HK\$3,000,001 to HK\$3,500,000	–	1	1
HK\$3,500,001 to HK\$4,000,000	1	–	–
	<u>1</u>	<u>1</u>	<u>1</u>

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the Track Record Period.

11 FINANCE INCOME, NET

	Year ended 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:			
– Interest income from bank deposits	7,721	6,468	8,063
– Interest income on loan to a director	65	–	–
	<u>7,786</u>	<u>6,468</u>	<u>8,063</u>
Finance costs:			
– Interest expense on bank borrowings	(65)	–	–
– Interest expense on lease liabilities (Note 19(c))	<u>(2,196)</u>	<u>(2,667)</u>	<u>(4,034)</u>
	<u>(2,261)</u>	<u>(2,667)</u>	<u>(4,034)</u>
Finance income, net.	<u>5,525</u>	<u>3,801</u>	<u>4,029</u>

APPENDIX I

ACCOUNTANT’S REPORT

12 INCOME TAX EXPENSE

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands and is not subject to corporate income taxes.

(b) British Virgin Islands income tax

The Group’s subsidiaries incorporated in the British Virgin Islands are not subject to corporate income taxes.

(c) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period, except for one entity that is qualified under the two-tiered profits tax rate regime, under which the first HK\$2 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(d) PRC corporate income tax

PRC corporate income tax is calculated at 25% on the taxable profits of the relevant PRC entities during the Track Record Period.

The amount of income tax charged/(credited) to the combined statements of comprehensive income represents:

	Year ended 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax			
– Hong Kong profits tax	42,345	54,789	18,615
– PRC corporate income tax	6,672	(542)	12,618
Deferred income tax (<i>Note 20</i>)	(2,233)	(418)	(5,089)
	<u>46,784</u>	<u>53,829</u>	<u>26,144</u>

The tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to profits of the entities under the Group as follows:

	Year ended 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<u>217,671</u>	<u>226,935</u>	<u>232,617</u>
Tax calculated at domestic tax rates applicable to profits in respective countries/places of business	30,828	30,507	48,710
Tax effects of:			
Income not subject to tax	(6,503)	(3,507)	(7,822)
Effect of two-tier tax rate regimes	(135)	(143)	(150)
Expenses not deductible for tax purpose	9,394	13,984	8,427
Previously unrecognised tax losses now recouped to reduce current tax expense (<i>Note</i>)	(3,408)	(1,930)	(28,899)
Tax effect of tax loss not recognised	16,616	14,923	5,881
Tax concession	(8)	(5)	(3)
	<u>46,784</u>	<u>53,829</u>	<u>26,144</u>

Note: In order to normalise the operating performance of the PRC subsidiaries in accordance with the Group’s operational model, the Group has communicated with the PRC tax bureau in December 2023 and agreed a new transfer pricing arrangement for the intra-group transactions for these PRC subsidiaries with a Hong Kong subsidiary. The new transfer pricing arrangement allows the PRC subsidiaries to retain a targeted profit margin. Management considered this is a change in estimation of the current tax provision based on the communication with the PRC tax bureau in December 2023 and thus accounted for such transfer pricing arrangement prospectively.

APPENDIX I

ACCOUNTANT’S REPORT

Accounting policies for current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

13 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in Note 1.3.

14 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. Dividends during each of the years ended 31 March 2022, 2023 and 2024 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for each of the years ended 31 March 2022, 2023 and 2024, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

APPENDIX I

ACCOUNTANT’S REPORT

15 SHARE-BASED PAYMENTS

The Group has approved and adopted a [REDACTED] share option plan (“[REDACTED] ESOP”) under Eternal BVI pursuant to a shareholder’s resolution passed in 2019. Share options were granted in 1 December 2019 and 31 March 2024 to attract, retain and motivate the grantees to strive for future developments and expansion of the Group.

On 1 December 2019, share options of 17,294,487 were granted to a total of 10 grantees, which include certain directors and employees of the Group with no vesting condition. The exercise price of the share option is HK\$0.1 per share. The vested share options are exercisable upon [REDACTED] and 40% of the exercised shares are only saleable one month after the [REDACTED] of the Group, 30% are saleable 1 year after the [REDACTED] of the Group and the remaining are saleable 2 years after the [REDACTED] of the Group.

On 31 March 2024, share options of 8,898,690 was further granted to a total of 8 grantees, which include certain employees of the Group with no vesting condition. The exercise price of the share option is HK\$0.1 per share. The timeline for these share options to be exercised are similar to the share options granted in 2019.

The grantee needs to inform the Company 28 days before they exercise their share options. The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

The fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The range of fair value of options granted determined by using the Binomial model and significant inputs into the model were as follows:

	Share options as at grant date	
	1 December 2019	31 March 2024
Fair value of [REDACTED] ESOP granted (RMB)	12,835,000	13,595,000
Expected volatility (<i>Note</i>)	50.07%	52.13%
Expected option life (years)	10	10
Dividend yield	0%	0%
Risk-free rate	1.82%	3.70%

Note: Expected volatility is assumed to be based on historical volatility of comparable companies.

The variables and assumptions used in estimating the fair value of the share options were the directors’ best estimates. Change in subjective input assumptions can materially affect the fair value.

The number of share options outstanding as at 31 March 2022, 2023 and 2024 is 17,294,487, 17,294,487 and 26,193,177, respectively. There are no lapse or forfeiture of the share options in the Track Record Period.

During the years ended 31 March 2022, 2023 and 2024, share-based payment expense of nil, nil and RMB13,595,000 were recognised in profit or loss, respectively.

On 18 June 2024, the Company adopted a [REDACTED] share option scheme (“Cayman Option Scheme”) in exchange for the surrender of the [REDACTED] ESOP under Eternal BVI. The options grantees previously granted under the [REDACTED] ESOP were granted the options under Cayman Option Scheme on a one-on-one basis for the surrender and cancellation of the [REDACTED] ESOP.

Accounting policies for share-based payments

The Group operates an equity-settled share-based compensation plan (i.e. share option scheme), under which the Group receives services from employees, as consideration for equity instruments of the Company. Share options granted to the grantees of the Group are measured at the grant date based on the fair value of equity instruments and are recognised as an employee benefit expenses over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity as “share-based compensation”.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

APPENDIX I

ACCOUNTANT’S REPORT

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity’s share price),
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability and remaining as an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

16 INVESTMENT IN A JOINT VENTURE

	<u>Year ended 31 March</u>
	<u>2024</u>
	<i>RMB’000</i>
Opening carrying value	–
Addition of unquoted shares – at cost.	5,607
Share of loss of a joint venture.	(2,964)
Share of results of a joint venture – currency translation difference	212

Closing carrying value	<u>2,855</u>

There are no commitments and contingent liabilities in respect of the joint venture as at 31 March 2024.

(a) Amount due from a joint venture

	<u>As at 31 March</u>
	<u>2024</u>
	<i>RMB’000</i>
Amount due from a joint venture	<u>13,514</u>

As at 31 March 2024, the balances were unsecured, interest-free and repayable on demand. The carrying values of the balances approximate their fair value. The amount due from with a joint venture was denominated in HK\$ and RMB.

The particulars of the joint venture is summarised as below.

<u>Name of entity</u>	<u>Country/place and date of incorporation/ establishment</u>	<u>Principal activities</u>	<u>Class of share held</u>	<u>Proportion of ownership interest and voting rights As at 31 March 2024</u>
B&E China Holdings Limited	Hong Kong, 8 May 2023	Trading and retailing of perfumes, skincare products and color cosmetic	Ordinary	50%

APPENDIX I

ACCOUNTANT’S REPORT

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Buildings	Office equipment	Air-conditioning plant	Computer equipment	Motor vehicles	Furniture and fixtures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2021								
Cost	13,211	2,401	3,690	1,252	27,159	5,884	7,143	60,740
Accumulated depreciation	(7,294)	(1,179)	(3,591)	(468)	(22,081)	(4,304)	(6,794)	(45,711)
Net book amount	<u>5,917</u>	<u>1,222</u>	<u>99</u>	<u>784</u>	<u>5,078</u>	<u>1,580</u>	<u>349</u>	<u>15,029</u>
Year ended								
31 March 2022								
Opening net book amount	5,917	1,222	99	784	5,078	1,580	349	15,029
Additions	15,488	–	88	279	3,192	2,233	745	22,025
Disposal	(12)	–	–	(21)	(213)	–	–	(246)
Depreciation charge (Note 7)	(10,108)	(59)	(62)	(247)	(2,936)	(1,196)	(600)	(15,208)
Exchange difference	(31)	(37)	(2)	(20)	(9)	(71)	–	(170)
Closing net book amount	<u>11,254</u>	<u>1,126</u>	<u>123</u>	<u>775</u>	<u>5,112</u>	<u>2,546</u>	<u>494</u>	<u>21,430</u>
At 31 March 2022								
Cost	32,187	2,326	3,601	1,372	26,789	5,901	3,363	75,539
Accumulated depreciation	(20,933)	(1,200)	(3,478)	(597)	(21,677)	(3,355)	(2,869)	(54,109)
Net book amount	<u>11,254</u>	<u>1,126</u>	<u>123</u>	<u>775</u>	<u>5,112</u>	<u>2,546</u>	<u>494</u>	<u>21,430</u>
Year ended								
31 March 2023								
Opening net book amount	11,254	1,126	123	775	5,112	2,546	494	21,430
Additions	9,249	–	87	174	2,220	1,213	268	13,211
Impairment	(2,570)	–	–	–	–	–	–	(2,570)
Disposal	–	–	–	–	(7)	(147)	–	(154)
Depreciation charge (Note 7)	(11,455)	(62)	(61)	(203)	(2,913)	(1,473)	(158)	(16,325)
Exchange difference	125	103	5	59	26	229	–	547
Closing net book amount	<u>6,603</u>	<u>1,167</u>	<u>154</u>	<u>805</u>	<u>4,438</u>	<u>2,368</u>	<u>604</u>	<u>16,139</u>
At 31 March 2023								
Cost	42,135	2,540	3,915	1,658	27,194	6,331	3,802	87,575
Accumulated depreciation and impairment	(35,532)	(1,373)	(3,761)	(853)	(22,756)	(3,963)	(3,198)	(71,436)
Net book amount	<u>6,603</u>	<u>1,167</u>	<u>154</u>	<u>805</u>	<u>4,438</u>	<u>2,368</u>	<u>604</u>	<u>16,139</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Leasehold improvements	Buildings	Office equipment	Air-conditioning plant	Computer equipment	Motor vehicles	Furniture and fixtures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended								
31 March 2024								
Opening net book amount	6,603	1,167	154	805	4,438	2,368	604	16,139
Addition for the year.	24,860	–	205	64	1,581	859	18	27,587
Assets classified as held for sale (Note 25)	–	(1,143)	–	–	–	–	–	(1,143)
Impairment	(33)	–	–	–	–	–	–	(33)
Disposal	(196)	–	(4)	(3)	(13)	–	–	(216)
Depreciation charge (Note 7)	(19,057)	(65)	(67)	(233)	(2,101)	(1,355)	(173)	(23,051)
Exchange difference	94	41	3	26	20	94	–	278
Closing net book amount	<u>12,271</u>	<u>–</u>	<u>291</u>	<u>659</u>	<u>3,925</u>	<u>1,966</u>	<u>449</u>	<u>19,561</u>
At 31 March 2024								
Cost	66,729	–	3,859	1,775	28,804	6,542	3,904	111,613
Accumulated depreciation and impairment	<u>(54,458)</u>	<u>–</u>	<u>(3,568)</u>	<u>(1,116)</u>	<u>(24,879)</u>	<u>(4,576)</u>	<u>(3,455)</u>	<u>(92,052)</u>
Net book amount	<u>12,271</u>	<u>–</u>	<u>291</u>	<u>659</u>	<u>3,925</u>	<u>1,966</u>	<u>449</u>	<u>19,561</u>

(a) Details of the property, plant and equipment pledged to the Group’s banking facilities are included in Note 32.

(b) The Group regards each individual shop and counter as a separately identifiable cash-generating unit. Due to the under-performance of certain shops and counters against the budget or having loss-making performance during year, management carried out an impairment assessment for property, plant and equipment and right-of-use assets of those shops and counters whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The carrying amount of the shops and counters are written down to its recoverable amount (the higher of fair value less costs to sell or value-in-use) if the asset’s carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as revenue growth rate and pre-tax discount rate. As a result of the impairment assessment, impairment loss of property, plant and equipment amounting to RMB2,570,000 and RMB33,000 and impairment loss of right-of-use assets amounting to RMB4,704,000 and RMB63,000 are recognised on certain shops and counters of the Group during the years ended 31 March 2023 and 2024. For the other shops and counters, the recoverable amounts exceed the asset’s carrying amounts of the shops and counters with sufficient headroom.

Key inputs to the determination of the recoverable amount includes average revenue growth and pre-tax discount rate. As at 31 March 2022, 2023 and 2024, the pre-tax discount rates used to determine the recoverable amounts for Hong Kong and the PRC are 10%-12%, 10%-12% and 11%-12%, respectively.

(c) Depreciation charges of RMB10,108,000, RMB11,455,000 and RMB19,057,000 have been included in selling and marketing expenses and RMB5,100,000, RMB4,870,000 and RMB3,994,000 have been included in administrative expenses for the years ended 31 March 2022, 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANT’S REPORT

Accounting policies for property, plant and equipment

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, where appropriate, over their estimated useful lives, as follows:

Leasehold improvements	Over 3 years or remaining period of the lease, whichever is shorter
Buildings	2-3%
Air-conditioning plant	10%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment	25%
Motor vehicles	33%

The Group’s property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 36.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

18 INTANGIBLE ASSETS

	<u>Club membership</u>	<u>Computer software</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 April 2021			
Cost	216	951	1,167
Accumulated depreciation	–	(326)	(326)
Net book amount	<u>216</u>	<u>625</u>	<u>841</u>
Year ended 31 March 2022			
Opening net book amount	216	625	841
Additions	–	4,626	4,626
Amortisation charged (<i>Note 7</i>)	–	(638)	(638)
Exchange difference	(7)	–	(7)
Closing net book amount	<u>209</u>	<u>4,613</u>	<u>4,822</u>
At 31 March 2022			
Cost	209	5,577	5,786
Accumulated amortisation	–	(964)	(964)
Net book amount	<u>209</u>	<u>4,613</u>	<u>4,822</u>

APPENDIX I

ACCOUNTANT’S REPORT

	<u>Club membership</u>	<u>Computer software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 March 2023			
Opening net book amount	209	4,613	4,822
Amortisation charged (<i>Note 7</i>)	–	(853)	(853)
Exchange difference	19	–	19
Closing net book amount	<u>228</u>	<u>3,760</u>	<u>3,988</u>
At 31 March 2023			
Cost	228	5,577	5,805
Accumulated amortisation	–	(1,817)	(1,817)
Net book amount	<u>228</u>	<u>3,760</u>	<u>3,988</u>
Year ended 31 March 2024			
Opening net book amount	228	3,760	3,988
Additions	–	1,290	1,290
Amortisation charged (<i>Note 7</i>)	–	(1,602)	(1,602)
Exchange difference	9	–	9
Closing net book amount	<u>237</u>	<u>3,448</u>	<u>3,685</u>
At 31 March 2024			
Cost	237	6,867	7,104
Accumulated amortisation	–	(3,419)	(3,419)
Net book amount	<u>237</u>	<u>3,448</u>	<u>3,685</u>

During the years ended 31 March 2022, 2023 and 2024, the Group externally acquired the computer software from independent third parties.

Amortisation on computer software is recognised as administrative expenses for the years ended 31 March 2022, 2023 and 2024.

Accounting policies for intangible assets

Intangible assets represent a club membership that is stated at cost less impairment losses, if any, and computer software with useful life of 4 years that is stated at cost less accumulated amortisation.

19 LEASES

(a) Right-of-use assets

	<u>As at 31 March</u>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Offices	18,855	14,202	12,498
Warehouses	12,662	9,907	8,433
Shops and counters	41,650	39,477	59,857
Copy machines	1,411	1,398	1,142
Leasehold land	1,272	1,334	–
	<u>75,850</u>	<u>66,318</u>	<u>81,930</u>

Additions to the right-of-use assets were RMB70,358,000, RMB54,330,000 and RMB75,958,000 for the years ended 31 March 2022, 2023 and 2024, respectively. During the year ended 31 March 2024, right-of-use assets of approximately RMB1,338,000 was reclassified into assets classified as held for sale (Note 25).

APPENDIX I

ACCOUNTANT’S REPORT

Details of the right-of-use assets pledged to the Group’s banking facilities are included in Note 32.

(b) Lease liabilities

	As at 31 March		
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current portion	40,454	48,236	52,520
Non-current portion	36,773	24,769	33,074
	<u>77,227</u>	<u>73,005</u>	<u>85,594</u>

The total cash outflows for leases including payments of short-term leases, variable lease, leases liabilities and payments of interest on leases for the years ended 31 March 2022, 2023 and 2024 were approximately RMB92,014,000, RMB113,786,000 and RMB146,281,000, respectively.

(c) Amounts recognised in the combined statements of comprehensive income

	Year ended 31 March		
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Depreciation of right-of-use assets (<i>Note 7</i>)	39,004	50,889	57,635
Provision for impairment of right-of-use assets	–	4,704	63
Interest expense on lease liabilities (<i>Note 11</i>)	2,196	2,667	4,034
Expenses relating to variable lease payments (included in selling and marketing expenses)	40,249	34,570	51,700
Expenses relating to short-term leases (included in selling and marketing expenses)	21,258	26,338	29,318
Rent concession (included in selling and marketing expenses)	<u>(1,254)</u>	<u>–</u>	<u>–</u>

Some of the property leases which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased shops and counters. Variable lease terms are used to link lease payments to store cash flows and reduce fixed cost. The variable lease payments depend on sales and consequently on the overall economic development over the next few years.

For details of impairment losses on right-of-use assets, refer to Note 17(b).

(d) The group’s leasing activities and how these are accounted for

The Group leases various offices, warehouses, shops, counters, copy machines and leasehold land. Rental contracts are typically made for fixed periods of 1 year to 3 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group.

APPENDIX I

ACCOUNTANT’S REPORT

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset’s useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has adopted Amendment to HKFRS 16 — Covid-19-Related Rent Concessions from 1 April 2021. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2022; and c. there is no substantive change to other terms and conditions of the lease.

(e) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, the lease payments are on the basis of variable payment terms with percentages ranging from 15% to 35% of sales. Variable lease payments that depend on sales are recognised in combined statements of comprehensive income in the period in which the condition that triggers those payments occurs.

APPENDIX I

ACCOUNTANT’S REPORT

(f) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group’s operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

20 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	As at 31 March		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Deferred income tax assets, net.	11,575	12,025	17,142

The net movement on the deferred income tax asset is as follows:

	Year ended 31 March		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
At 1 April.	9,354	11,575	12,025
Credited to combined statements of comprehensive income (<i>Note 12</i>)	2,233	418	5,089
Exchange realignment	(12)	32	28
At 31 March	11,575	12,025	17,142

The movement in deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Decelerated tax depreciation	Tax losses	Unrealised profit on inventories	Lease liabilities	Provisions and others	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 1 April 2021	90	–	4,782	9,972	4,135	18,979
(Charged)/credited to profit or loss.	(89)	–	2,147	477	371	2,906
Exchange realignment	(1)	–	–	–	(15)	(16)
Balance at 31 March 2022.	–	–	6,929	10,449	4,491	21,869
Balance at 1 April 2022	–	–	6,929	10,449	4,491	21,869
(Charged)/credited to profit or loss.	–	–	(1,189)	(3,855)	357	(4,687)
Exchange realignment	–	–	–	–	46	46
Balance at 31 March 2023.	–	–	5,740	6,594	4,894	17,228
Balance at 1 April 2023	–	–	5,740	6,594	4,894	17,228
Credited/(charged) to profit or loss.	495	4,434	(875)	(602)	1,951	5,403
Exchange realignment	3	–	–	–	26	29
Balance at 31 March 2024.	498	4,434	4,865	5,992	6,871	22,660

APPENDIX I

ACCOUNTANT’S REPORT

Deferred income tax liabilities	Accelerated tax depreciation	Right of use assets	Total
	RMB’000	RMB’000	RMB’000
Balance at 1 April 2021	–	9,625	9,625
Charged to profit or loss	177	496	673
Exchange realignment	(4)	–	(4)
Balance at 31 March 2022	<u>173</u>	<u>10,121</u>	<u>10,294</u>
Balance at 1 April 2022	173	10,121	10,294
Credited to profit or loss	(160)	(4,945)	(5,105)
Exchange realignment	14	–	14
Balance at 31 March 2023	<u>27</u>	<u>5,176</u>	<u>5,203</u>
Balance at 1 April 2023	27	5,176	5,203
(Credited)/charge to profit or loss	(28)	342	314
Exchange realignment	1	–	1
Balance at 31 March 2024	<u>–</u>	<u>5,518</u>	<u>5,518</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in the PRC of RMB17,752,000 at 31 March 2022, RMB22,670,000 as at 31 March 2023 and RMB4,269,000 at 31 March 2024 in respect of the tax losses in the amount of RMB71,008,000, RMB90,681,000 and RMB17,077,000, respectively, which will expire in one to five years for offsetting against future taxable profits of the entity in which the losses arose.

According to the new CIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008.

During the Track Record Period, deferred income tax liabilities of RMB1,947,000, nil and nil have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC as at 31 March 2022, 2023 and 2024, in the amount of RMB19,474,000, nil and nil, respectively. The unremitted earnings are to be used for long-term future development. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

21 Financial instruments by categories

	As at 31 March		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Assets as per combined statements of financial position			
Financial assets measured at amortised cost			
– Trade receivables (<i>Note 22(a)</i>)	116,511	156,959	175,279
– Other receivables and deposits (excluding non-financial assets) (<i>Note 22(b)</i>)	73,710	62,826	87,221
– Amounts due from related companies (<i>Note 33(f)</i>)	61,160	55,984	51,155
– Amount due from a shareholder (<i>Note 33(e)</i>)	–	110	271
– Amount due from a joint venture (<i>Note 16</i>)	–	–	13,514
– Fixed deposits (<i>Note 23</i>)	–	13,388	–
– Cash and cash equivalents (<i>Note 23</i>)	<u>307,393</u>	<u>320,462</u>	<u>150,929</u>
	558,774	609,729	478,369
Financial asset at FVPL	<u>290</u>	<u>463</u>	<u>–</u>
Total	<u>559,064</u>	<u>610,192</u>	<u>478,369</u>

APPENDIX I

ACCOUNTANT’S REPORT

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities as per combined statements of financial position			
Financial liabilities measured at amortised cost			
– Trade and bills payables (<i>Note 27</i>)	229,491	113,498	93,223
– Accruals and other payables (excluding non-financial liabilities) (<i>Note 28</i>)	139,615	121,327	123,161
– Amount due to a director (<i>Note 33(d)</i>)	41,353	76,693	186,951
– Amounts due to related companies (<i>Note 33(f)</i>)	56,543	61,941	7,045
– Amount due to a shareholder (<i>Note 33(e)</i>)	1,506	–	–
– Lease liabilities (<i>Note 19(b)</i>)	77,227	73,005	85,594
Total	<u>545,735</u>	<u>446,464</u>	<u>495,974</u>

22 TRADE AND OTHER RECEIVABLES

(a) Trade receivables

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	116,886	157,243	175,726
Less: Loss allowance	(375)	(284)	(447)
Trade receivables, net	<u>116,511</u>	<u>156,959</u>	<u>175,279</u>

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	84,010	106,001	107,895
31 – 90 days	26,204	37,668	48,784
Over 90 days	6,672	13,574	19,047
	116,886	157,243	175,726
Less: Loss allowance	(375)	(284)	(447)
Trade receivables, net	<u>116,511</u>	<u>156,959</u>	<u>175,279</u>

The carrying values of trade receivables approximate their fair values. The Group generally allows an average credit period of 30 to 90 days to its trade customers.

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
HK\$	34,523	59,112	57,178
USD	10,602	19,333	16,056
RMB	71,386	78,514	102,045
	<u>116,511</u>	<u>156,959</u>	<u>175,279</u>

APPENDIX I

ACCOUNTANT’S REPORT

(b) Deposits, prepayments and other receivables – Group and Company

The Group

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Prepayments for inventories and other operating expenses	31,460	13,903	23,317
Prepayments for non-financial assets	–	3,054	4,207
Prepayment for [REDACTED] expense	–	–	1,357
Advance to third parties (note i)	46,089	28,061	28,284
Other receivables (note ii)	14,886	17,202	32,824
VAT tax recoverable	7,102	11,402	8,183
Deposits	12,735	17,563	26,113
	<u>112,272</u>	<u>91,185</u>	<u>124,285</u>
Less: Non-current deposits	(4,441)	(7,400)	(6,217)
Less: Non-current prepayments	–	(3,054)	(4,207)
Less: Advance to third parties	(46,089)	(28,061)	–
Current portion	<u>61,742</u>	<u>52,670</u>	<u>113,861</u>

Notes:

- (i) As at 31 March 2022, 2023 and 2024, advance to third parties balance are unsecured, interest-free and repayable on demand. The carrying values of the balance approximate to their fair value. The balances are denominated in HK\$ and RMB. As at 31 March 2022 and 2023, the directors of the Company do not expect such balance to be repaid by the third parties within 12 months of the reporting period and classified the balance as non-current assets.
- (ii)

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other receivables	21,978	25,007	40,940
Less: Loss allowance	(7,092)	(7,805)	(8,116)
Other receivables, net	<u>14,886</u>	<u>17,202</u>	<u>32,824</u>

The carrying amounts of other receivables are denominated in the following currencies:

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
HK\$	2,309	18,912	28,701
RMB	102,976	62,716	74,394
USD	1,145	3,820	3,977
EUR	5,819	5,628	17,099
Japanese Yen (“JPY”)	23	109	114
	<u>112,272</u>	<u>91,185</u>	<u>124,285</u>

The carrying amounts of deposits and other receivables approximate to their fair values.

APPENDIX I

ACCOUNTANT’S REPORT

The Company

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayment for [REDACTED] expense	–	–	1,357
	<u>–</u>	<u>–</u>	<u>1,357</u>

23 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	307,393	320,462	150,929
Fixed deposits (maturity date over 3 months)	–	13,388	–
	<u>307,393</u>	<u>333,850</u>	<u>150,929</u>
Maximum exposure to credit risk	<u>307,366</u>	<u>333,819</u>	<u>150,895</u>

Cash and cash equivalents and fixed deposits approximated their fair values as at 31 March 2022, 2023 and 2024 are denominated in the following currencies:

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	13,085	135,570	26,273
HK\$	41,594	109,125	44,825
RMB	173,046	35,055	71,865
GBP	76,683	16,850	166
Australian dollar	–	37,028	–
Others	2,985	222	7,800
	<u>307,393</u>	<u>333,850</u>	<u>150,929</u>

The conversion of cash and bank balances denominated in RMB into foreign currencies and remittance of these deposits or cash out of the PRC are subject to the relevant rules and regulations of foreign exchange promulgated by the PRC government. As at 31 March 2022, 2023 and 2024, the Group’s cash at banks and in hand of RMB29,151,000, RMB29,476,000 and RMB40,183,000, respectively, were deposited at banks in the PRC.

24 INVENTORIES

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods – at cost	321,873	332,763	379,355
Goods in transit	119,635	53,764	46,977
Less: Stock provision	<u>(23,755)</u>	<u>(28,949)</u>	<u>(36,023)</u>
Inventories, net of provision	<u>417,753</u>	<u>357,578</u>	<u>390,309</u>

The cost of inventories recognised as expenses and included in cost of sales amounting to approximately RMB782,710,000, RMB801,337,000 and RMB891,178,000 for the years ended 31 March 2022, 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANT’S REPORT

Provision for impairment of inventories of RMB2,021,000, RMB3,767,000 and RMB6,312,000 were recognised for the years ended 31 March 2022, 2023 and 2024, respectively, in the combined statements of comprehensive income as cost of sales.

Accounting policies for inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

25 ASSETS CLASSIFIED AS HELD FOR SALE

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets classified as held for sale	–	–	<u>2,481</u>

In March 2024, Eternal Far East entered into a provisional sale and purchase agreement with Land Pacific Investment Limited, an entity controlled by Mr. Lau, pursuant to which Eternal Far East agrees to sell the land and building located in Hong Kong with carrying amount of RMB1,338,000 and RMB1,143,000, respectively at the consideration of HK\$18,800,000 (equivalent to approximately RMB17,169,000).

Details of the assets classified as held for sale pledged to the Group’s banking facilities are included in Note 32.

26 COMBINED CAPITAL OF THE GROUP AND SHARE CAPITAL OF THE COMPANY

The Group

The Reorganisation has not been completed as at 31 March 2024. As mentioned in Note 1.3, the Historical Financial Information have been prepared on a combined basis. Combined capital as at each date of statement of financial position represented the combined capital of the companies now comprising the Group after the elimination of the inter-company investments.

The Company

	Number of ordinary shares	Equivalent nominal value of ordinary share
		<i>RMB'000</i>
Authorised:		
Ordinary shares of HK\$0.001 each	<u>380,000,000</u>	<u>347</u>
Issued:		
At 9 January 2024 (date of incorporation)	–	–
Issue of ordinary shares pursuant to the Reorganisation	<u>1</u>	*
As at 31 March 2024	<u>1</u>	*

* The amounts as at 31 March 2024 are below RMB1,000.

APPENDIX I

ACCOUNTANT’S REPORT

27 TRADE AND BILLS PAYABLES

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	229,132	113,498	93,223
Bills payables	359	–	–
	<u>229,491</u>	<u>113,498</u>	<u>93,223</u>

The ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	132,808	59,684	54,046
31 – 90 days	83,106	49,979	32,556
Over 90 days	13,577	3,835	6,621
	<u>229,491</u>	<u>113,498</u>	<u>93,223</u>

The carrying amounts of trade and bills payables are denominated in the following currencies:

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
EUR	200,758	73,624	51,534
RMB	18,592	13,271	13,456
USD	6,682	17,657	21,079
JPY	3,329	6,261	4,058
HK\$	130	2,685	3,096
	<u>229,491</u>	<u>113,498</u>	<u>93,223</u>

28 ACCRUALS AND OTHER PAYABLES – GROUP AND COMPANY

The Group

	As at 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Accruals for advertising and promotion	80,971	79,456	83,837
Accrued staff cost	24,507	47,264	35,894
Advances received from third parties	43,170	29,000	26,500
Other payables and accruals	15,474	12,871	10,588
Other tax payables	13,107	8,857	9,682
Accrual for [REDACTED] expenses	–	–	2,236
	<u>177,229</u>	<u>177,448</u>	<u>168,737</u>

Note: As at 31 March 2022, 2023 and 2024, advance received from third parties balance are unsecured, interest-free and repayable on demand. The carrying values of the balance approximate to their fair value. The balances are denominated in HK\$ and RMB.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

APPENDIX I

ACCOUNTANT’S REPORT

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
HK\$	13,889	12,116	14,269
USD	6,290	2,950	2,562
EUR	27,024	21,584	19,293
RMB	129,952	140,796	132,608
Others	74	2	5
	<u>177,229</u>	<u>177,448</u>	<u>168,737</u>

The Company

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Accrual for [REDACTED] expenses	–	–	<u>2,236</u>

29 PROVISIONS

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<u>Non-current</u>			
Provision for long service payment	852	780	1,658
	<u>852</u>	<u>780</u>	<u>1,658</u>
<u>Current</u>			
Provision of unutilised annual leave	5,416	6,076	6,604
Other provisions	2,068	2,642	3,232
	<u>7,484</u>	<u>8,718</u>	<u>9,836</u>
	<u>8,336</u>	<u>9,498</u>	<u>11,494</u>

APPENDIX I

ACCOUNTANT’S REPORT

30 CASH FLOWS INFORMATION

(a) Cash generated from operations:

	Year ended 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax expense	217,671	226,935	232,617
Adjustments for:			
Share of loss of a joint venture	–	–	2,964
Depreciation of property, plant and equipment	15,208	16,325	23,051
Provision for impairment of property, plant and equipment	–	2,570	33
Amortisation of intangible assets	638	853	1,602
Depreciation of right-of-use assets	39,004	50,889	57,635
Impairment for right-of-use assets	–	4,704	63
Finance income	(7,786)	(6,468)	(8,063)
Finance costs	2,261	2,667	4,034
(Gain)/loss on financial asset at FVPL	(296)	(145)	479
(Gain)/loss on disposal on property, plant and equipment	(775)	(445)	53
Gains on early termination of leases	(22)	(21)	(844)
Provision for impairment of financial assets	489	622	474
Provision for impairment of inventories	2,021	3,767	6,312
Rent concession	(1,254)	–	–
Provision for unutilised annual leave	926	469	394
Provision for/(reversal of provision) long service payment	768	(144)	939
Share-based payment expense	–	–	13,595
Expenses relating to short-term leases	4,821	13,794	12,859
Operating profit before changes in working capital	273,674	316,372	348,197
Changes in working capital:			
Inventories	(175,195)	56,407	(38,283)
Trade receivables	31,329	(36,505)	(15,684)
Deposits, prepayments and other receivables	(23,256)	24,871	(29,714)
Trade and bills payables	12,770	(115,993)	(22,736)
Accruals and other payables	41,488	(2,608)	(9,436)
Contract liabilities	(4,116)	1,474	(7,606)
Net cash generated from operations	<u>156,694</u>	<u>244,018</u>	<u>224,738</u>

(b) In the combined statements of cash flows, proceed from disposals of property, plant, and equipment comprise:

	Year ended 31 March		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proceeds from disposal of property, plant and equipment	1,021	599	163
Less: Net book amount (<i>Note 17</i>)	<u>(246)</u>	<u>(154)</u>	<u>(216)</u>
Gain/(loss) on disposal of property, plant and equipment	<u>775</u>	<u>445</u>	<u>(53)</u>

APPENDIX I

ACCOUNTANT’S REPORT

(c) Cash flow information — financing activities

The movements of liabilities from financing activities for each of the years ended 31 March 2022, 2023 and 2024:

	Other asset	Liabilities from financing activities					Total
	Cash and cash equivalents	Bank borrowings due within 1 year	Amounts due to related parties	Amount due (to)/ from a shareholder	Amount due to a director	Lease liabilities	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 April 2021	499,077	(7,065)	(66,910)	260	(282,507)	(46,454)	96,401
Foreign exchange adjustments	(38,153)	963	2,673	25	7,254	919	(26,319)
Cash flows	(153,531)	6,167	14,605	(1,791)	36,103	31,761	(66,686)
Non-cash items:							
Addition of leases	–	–	–	–	–	(70,358)	(70,358)
Debt assignment	–	–	(2,090)	–	197,797	–	195,707
Early termination of leases	–	–	–	–	–	1,095	1,095
Interest expense	–	(65)	–	–	–	(2,196)	(2,261)
Rent concession	–	–	–	–	–	1,254	1,254
Non-cash rental expense	–	–	(4,821)	–	–	6,752	1,931
As at 31 March 2022	<u>307,393</u>	<u>–</u>	<u>(56,543)</u>	<u>(1,506)</u>	<u>(41,353)</u>	<u>(77,227)</u>	<u>130,764</u>

	Other asset	Liabilities from financing activities					Total
	Cash and cash equivalents	Amounts due to related parties	Amount due (to)/ from a shareholder	Amount due to a director	Lease liabilities		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 April 2022	307,393	(56,543)	(1,506)	(41,353)	(77,227)	130,764	
Foreign exchange adjustments	43,838	(4,746)	2	(1,790)	(2,829)	34,475	
Cash flows	(30,769)	5,162	1,614	10,240	52,878	39,125	
Non-cash items:							
Addition of leases	–	–	–	–	(54,330)	(54,330)	
Dividend	–	–	–	(43,790)	–	(43,790)	
Early termination of leases	–	–	–	–	11,170	11,170	
Interest expense	–	–	–	–	(2,667)	(2,667)	
Non-cash rental expense	–	(5,814)	–	–	–	(5,814)	
As at 31 March 2023	<u>320,462</u>	<u>(61,941)</u>	<u>110</u>	<u>(76,693)</u>	<u>(73,005)</u>	<u>108,933</u>	

APPENDIX I

ACCOUNTANT’S REPORT

	Other asset		Liabilities from financing activities			
	Cash and cash equivalents	Amounts due to related companies	Amount due (to)/ from a shareholder	Amount due to a director	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 April 2023 . . .	320,462	(61,941)	110	(76,693)	(73,005)	108,933
Foreign exchange adjustments	20,875	(628)	5	(3,817)	(1,741)	14,694
Cash flows	(190,408)	61,017	156	13,231	65,263	(50,741)
Non-cash movements:						
Addition of leases	–	–	–	–	(75,958)	(75,958)
Early termination of leases	–	–	–	–	3,881	3,881
Dividend	–	–	–	(119,672)	–	(119,672)
Interest expenses	–	–	–	–	(4,034)	(4,034)
Non-cash rental expense	–	(5,493)	–	–	–	(5,493)
As at 31 March 2024	<u>150,929</u>	<u>(7,045)</u>	<u>271</u>	<u>(186,951)</u>	<u>(85,594)</u>	<u>(128,390)</u>

(d) Major non-cash transactions:

As at 31 December 2021, one of the Group’s Hong Kong subsidiary entered into an debt assignment agreement with certain related parties and a director of the Group. Upon completion, the Hong Kong subsidiary assigned its balances payables to certain related party of approximately RMB2,090,000 and balance receivables from certain related parties of RMB197,797,000 to a director of the Group.

During the year ended 31 March 2023 and 2024, the group companies declared interim dividend of RMB128,130,000, RMB189,421,000 and RMB314,338,000 to its then shareholders. Upon the shareholders’ resolution, Mr. Lau Kui Wing will receive dividend on behalf of the remaining shareholders of the group companies and such amounts payable to Mr. Lau Kui Wing of RMB43,790,000 and RMB119,672,000 are included in the amounts due to directors during the years ended 31 March 2022, 2023 and 2024.

During the year ended 31 March 2022, 2023 and 2024, the Company agreed to set off the rent payable of RMB6,752,000, RMB7,980,000 and RMB7,366,000 through amounts due from related parties.

During the year ended 31 March 2022, 2023 and 2024, the Company agreed to set off the rent payable of RMB4,821,000, RMB5,814,000 and RMB5,493,000 through amounts due to related parties.

31 COMMITMENTS

Short-term lease commitments

The Group had future aggregate minimum lease payments under short-term, non-cancellable leases in relations to rental for office premises and warehouses as follows:

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
No later than 1 year	<u>5,614</u>	<u>9,842</u>	<u>14,988</u>

APPENDIX I

ACCOUNTANT’S REPORT

32 BANKING FACILITIES

The banking facilities made available to subsidiaries of the Group are as follows:

	As at 31 March					
	2022		2023		2024	
	Available facilities	Facilities utilised	Available facilities	Facilities utilised	Available facilities	Facilities utilised
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Banking facilities granted to subsidiary of the Group	72,289	–	78,947	–	82,192	–

The Group’s banking facilities are secured and/or guaranteed by:

- (i) unlimited personal guarantees from a controlling shareholder as at 31 March 2022, 2023 and 2024.
- (ii) properties held by controlling shareholders and their son as at 31 March 2022, 2023 and 2024. Such guarantee is released on 16 May 2024.
- (iii) properties from a subsidiary of the Company as at 31 March 2022, 2023 and 2024. As at 31 March 2022 and 2023, the pledged properties, plant and equipment amounted to approximately RMB1,126,000 and RMB1,167,000, right-of-use assets amounted to approximately RMB1,272,000 and RMB1,334,000, respectively. As at 31 March 2024, the pledged asset classified as held for sale amounted to approximately RMB2,481,000. Such guarantee is released on 16 May 2024.
- (iv) properties from related parties of the Company as at 31 March 2022, 2023 and 2024. Such guarantee is released on 16 May 2024.

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name of related parties	Relationship with the Company
Mr. Lau	Chairman, executive director and controlling shareholder
Mrs. Lau	Mr. Lau’s spouse and controlling shareholder
Mr. Lau Andy Wing Hang	Mr. Lau’s son
Ms. Lau Wing Yin	Mr. Lau’s daughter and director
Glasworld International Limited (嘉恒國際有限公司)	Controlled by Mr. Lau
Gold Vision Limited	Controlled by Mr. Lau Andy Wing Hang
Land Pacific Investment Limited (立恒投資有限公司)	Controlled by Mr. Lau
Hainan Xiayi Industrial Co., Ltd. (海南夏意實業有限公司)	Controlled by Mr. Lau
Shanghai Xiayi International Trading Co., Ltd. (上海夏意國際貿易有限公司)	Controlled by Mr. Lau
Zhejiang Zhitong Trade Co., Ltd. (浙江自貿區穎通貿易有限公司)	Controlled by Mr. Lau
Eternal Beauty International Limited	Controlled by Mr. Lau
Forever Concept Limited	Controlled by Mrs. Lau
B&E China Holdings Limited	Joint venture

APPENDIX I

ACCOUNTANT’S REPORT

The English names of certain related parties represent the best effort by the directors of the Company in translating their Chinese names as they do not have official English names.

(b) The following transactions were carried out with related parties:

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Save as disclosed in Note 10 and 34 of this report during the Track Record Period, the following transactions were carried out with related parties:

	Year ended 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries paid to related parties	4,023	4,256	4,453
Rental paid/payable to related parties	13,390	15,104	13,807
Management fee income from a related company	74	78	82
Sales and management fee income from a joint venture	–	–	16,923
Royalty fee paid to a joint venture	–	–	3,456
Interest income on loan to a director	65	–	–
Sales to related companies.	42	25	36
	<u>42</u>	<u>25</u>	<u>36</u>

The transactions are conducted in the normal course of business at prices and terms as agreed between the Group and the related parties.

(c) Key management compensation

The directors of the Company is considered to be the key management of the Company. Details of key management compensation are set out in Note 34.

(d) Amount due to a director

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Amount due to a director – Mr. Lau.	(41,353)	(76,693)	(186,951)
	<u>(41,353)</u>	<u>(76,693)</u>	<u>(186,951)</u>

As at 31 March 2022, 2023 and 2024, balances to a director of the Group are unsecured, non-trade in nature interest-free and repayable on demand and approximate their fair values. The balances with a director are denominated in HK\$ and RMB. [All amount due to a director is expected to be settled upon [REDACTED].]

(e) Amount due from/to a shareholder

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Amount due from a shareholder – Mrs. Lau	–	110	271
Amount due to a shareholder – Mrs. Lau.	(1,506)	–	–
	<u>(1,506)</u>	<u>–</u>	<u>–</u>

APPENDIX I

ACCOUNTANT’S REPORT

As at 31 March 2022, 2023 and 2024, non-trade receivable from/payables balance to a shareholder are unsecured, interest-free and repayable on demand. The carrying values of the balance approximate to their fair value. The balances are denominated in HK\$ and RMB.

(f) Amounts due from/to related companies

	As at 31 March		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Non-current			
Amounts due from related companies	61,147	55,000	–
Current			
Amounts due from related companies	13	984	51,155
Amounts due to related companies	(56,543)	(61,941)	(7,045)

As at 31 March 2022, 2023 and 2024, non-trade receivable from/payables to related parties are unsecured, interest-free and repayable on demand. The carrying values of the balance approximate their fair value. The balances with a related parties are denominated in HK\$ and RMB. As at 31 March 2022 and 2023, the directors of the Company do not expect such balance to be repaid by the related companies within 12 months of the reporting period and classified the balance as non-current assets. [All amounts due to related companies are expected to be settled upon [REDACTED].]

(g) Security

The buildings of directors, Mr. Lau’s son and related parties are pledged to secure the Group’s banking facilities. Details refer to Note 32.

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors’ emoluments

The remuneration shown below represents remuneration received by the directors in their capacity as employees/directors of the companies comprising the Group during the Track Record Period. The remuneration of each director paid/payable for each of the years ended 31 March 2022, 2023 and 2024 were set out below:

Name	Fees	Salaries	Discretionary bonuses	Allowance and benefits in kind	Employer’s contribution to a retirement benefit scheme — defined contribution	Other emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the [REDACTED] Business	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 March 2022							
Executive director and Chairman							
Mr. Lau	–	6,494	1,082	1,342	1,136	–	10,054
Executive directors							
Ms. Lam King	–	1,452	1,200	–	15	–	2,667
Ms. Lau Wing Yin	–	935	644	–	15	–	1,594
Total	–	8,881	2,926	1,342	1,166	–	14,315

APPENDIX I

ACCOUNTANT’S REPORT

Name	Fees	Salaries	Discretionary bonuses	Allowance and benefits in kind	Employer’s contribution to a retirement benefit scheme — defined contribution	Other emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the [REDACTED] Business	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
For the year ended 31 March 2023							
Executive director and Chairman							
Mr. Lau	–	6,879	1,678	1,414	1,284	–	11,255
Executive director							
Ms. Lam King	–	1,393	1,386	–	16	–	2,795
Ms. Lau Wing Yin	–	995	759	–	16	–	1,770
Total	–	<u>9,267</u>	<u>3,823</u>	<u>1,414</u>	<u>1,316</u>	–	<u>15,820</u>

Name	Fees	Salaries	Discretionary bonuses	Allowance and benefits in kind	Employer’s contribution to a retirement benefit scheme — defined contribution	Other emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the [REDACTED] Business	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
For the year ended 31 March 2024							
Executive director and Chairman							
Mr. Lau	–	7,439	1,759	1,657	1,380	–	12,235
Executive directors							
Ms. Lam King	–	1,765	1,525	–	16	–	3,306
Ms. Lau Wing Yin	–	1,138	835	–	16	–	1,989
Mr. Chu Wai Tsun Baggio	–	1,050	200	–	15	–	1,265
Total	–	<u>11,392</u>	<u>4,319</u>	<u>1,657</u>	<u>1,427</u>	–	<u>18,795</u>

Mr. Lau was appointed as executive director of the Company on 9 January 2024 and Ms. Lam King, Ms. Lau Wing Yin and Mr. Chu Wai Tsun Baggio were as executive directors of the Company on 10 July 2024. Mr. Tao Chi Keung, Mr. Nagy Guillaume Nicolas Sébastien and Ms. Chan Soh Cheng were appointed as independent non-executive directors of the Company on [date] 2024. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive directors’ remuneration in the capacity of independent non-executive directors. All of these individuals have not received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for the loss of office during the Track Record Period.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Directors’ termination benefits

No payment was made to the directors as compensation for the early termination of the appointment during the Track Record Period.

(c) Consideration provided to third parties for making available directors’ services

During the years ended 31 March 2022, 2023 and 2024, the Company did not pay consideration to any third parties for making available directors’ services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 March 2022, 2023 and 2024, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors.

(e) Directors’ material interests in transactions, arrangements or contracts

Except as disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the years ended 31 March 2022, 2023 and 2024.

35 EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the accountant’s report, there were no other material subsequent events took place after 31 March 2024.

36 SUMMARY OF OTHER ACCOUNTING POLICIES

36.1 Subsidiaries

36.1.1 Consolidation

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls the entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are combined from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

36.1.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee’s net assets including goodwill.

APPENDIX I

ACCOUNTANT’S REPORT

36.1.3 *Business combination*

Business combinations under common control

The Historical Financial Information incorporate the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognised in consideration for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting polices is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

36.2 **Segment reporting**

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

36.3 **Joint Arrangements**

(i) Joint Arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

(ii) Equity Method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

APPENDIX I

ACCOUNTANT’S REPORT

36.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Historical Financial Information are presented in RMB, which is the Company’s functional and the Company’s and the Group’s presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

36.5 Intangible asset

Intangible asset represents a club membership and computer software that are stated at cost less impairment losses, if any. The carrying amount of the club membership and computer software are reviewed at the end of each reporting period to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such club membership is reduced to its fair value. The amount of the reduction is recognised as an expense in the statement of comprehensive income.

36.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

APPENDIX I

ACCOUNTANT’S REPORT

36.7 Non-current assets held for sale

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

36.8 Financial assets

36.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

36.8.2 Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

36.8.3 Measurement

At initial recognition, the Group measures financial assets at fair value through profit and loss plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the combined statements of comprehensive income.
- Fair value through profit or loss (“FVTPL”): A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the combined statements of comprehensive income in the period in which it arises.

APPENDIX I

ACCOUNTANT’S REPORT

36.8.4 *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, including amount due from a joint venture, amount due from a director and amounts due from related companies, the Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method.

36.8.5 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

36.9 **Cash and cash equivalents**

For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

36.10 **Trade and other receivables**

Trade and other receivables are amounts due from customers for the merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 33.6.4 for a description of the Group’s impairment policy.

36.11 **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

36.12 **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

APPENDIX I

ACCOUNTANT’S REPORT

36.13 Earnings per share

(v) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(vi) *Diluted earnings per share*

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

36.14 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

36.15 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the combined statements of comprehensive income as part of finance income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2024 and up to the date of this report.

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

The following information does not form part of the Accountant’s Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong the reporting accountant of the Company, as set forth in Appendix I to this document, and is included herein for information only. The unaudited [REDACTED] financial information should be read in conjunction with the section entitled “Financial Information” in this document and the “Accountant’s Report” set forth in Appendix I to this document.

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the net tangible assets of the Group attributable to the owners of the Company as of 31 March 2024 as if the [REDACTED] had taken place on 31 March 2024.

This unaudited pro [REDACTED] of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 March 2024 or at any future dates following the [REDACTED].

	Audited Combined Net Tangible Assets of the Group Attributable to the Owners of the Company as at 31 March 2024	Estimated Net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] Adjusted Combined Net Tangible Assets Attributable to the Owners of the Company as at 31 March 2024	Unaudited [REDACTED] Adjusted Combined Net Tangible Assets per Share	
	<i>RMB’000</i> <i>(Note 1)</i>	<i>RMB’000</i> <i>(Note 2)</i>	<i>RMB’000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . . .	<u>454,860</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . . .	<u>454,860</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2024 is extracted from the Accountant’s Report set out in Appendix I to this document, which is based on the audited combined net assets of the Group attributable to the owners of the Company as at 31 March 2024 of approximately RMB458,545,000 after deducting the Group’s intangible assets of approximately RMB3,685,000 as at 31 March 2024.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on [REDACTED] Shares and the indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED], being low and high end of the indicative [REDACTED] range, after deduction of the [REDACTED] fees and other related expenses (excluding [REDACTED] expenses of approximately RMB[REDACTED] which have been accounted for in the combined statement of comprehensive income for the year ended 31 March 2024).
- (3) The unaudited [REDACTED] adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue, assuming that the Capitalization Issue and the [REDACTED] had been completed on 31 March 2024 but does not take into account of any Shares which may be allotted and issued by the Company pursuant to the exercise of [REDACTED] or the general mandate or repurchased by the Company pursuant to the repurchase mandate as described in the section headed “Share Capital” in this document.
- (4) For the purpose of the unaudited [REDACTED] statement of adjusted combined net tangible assets, the translation of Renminbi amounts into Hong Kong dollars was at rate of RMB[0.9134] to HK\$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to the unaudited [REDACTED] adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2024.

[REDACTED]

[REDACTED]

[REDACTED]

APPENDIX III

SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLAND COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 January 2024 under the Companies Act (As Revised) of the Cayman Islands (the “Companies Act”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the "Listing Rules") that are or shall be applicable to such listed shares. The register of members in respect of its

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by announcement or by electronic communication or by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by the Members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

APPENDIX III

SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) the giving of any security or indemnity either:—
 - (aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:—
 - (aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
 - (bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn or postpone and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that in the case of a physical meeting, the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the Listing Rules.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place (as defined below), and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to the Articles, the principal place of the meeting (the "Principal Meeting Place"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

Any notice to be given to or by any person pursuant to the Articles may be given or issued by the following means:

- (aa) by serving it personally on the relevant person;
- (bb) by sending it through the post to such member's registered address;
- (cc) by delivering or leaving it at such member's registered address;
- (dd) by placing an advertisement in newspapers or other publication and where applicable, in accordance with the requirements of the Stock Exchange;
- (ee) by sending or transmitting it as an electronic communication to the relevant person at such electronic address as he may provide under the Articles, subject to the Company complying with the Cayman Islands laws and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person;
- (ff) by publishing it on the Company's website to which the relevant person may have access, subject to the Company complying with the Cayman Islands law and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person and/or for giving notification to any such person stating that the notice, document or publication is available on the Company's computer network website;
or
- (gg) by sending or otherwise making it available to such person through such other means to the extent permitted by and in accordance with the Cayman Islands law and other applicable laws, rules and regulations.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aaa) the declaration and sanctioning of dividends;
- (bbb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (ccc) the election of directors in place of those retiring;
- (ddd) the appointment of auditors and other officers; and
- (eee) the fixing of the remuneration of the directors and of the auditors.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to member of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 30 January 2024.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

APPENDIX III

**SUMMARY OF CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLAND COMPANY LAW**

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands (“ES Act”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed “Documents available on display” in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 9, 2024. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●] 2024 with the Registrar of Companies in Hong Kong and our head office and principal place of business in Hong Kong is 22/F, Enterprise Square Two, No. 3 Sheung Yuet Road, Kowloon, Hong Kong. Mr. Chu has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 22/F, Enterprise Square Two, No. 3 Sheung Yuet Road, Kowloon, Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Act and its constitution comprises the Memorandum and Articles of Association. A summary of the Memorandum and Articles of Association and relevant aspects of the Companies Act is set forth in Appendix III to this document.

2. Changes in share capital of our Company

As of the date of incorporation, our Company had an authorized share capital of HK\$380,000 divided into 380,000,000 shares with par value of HK\$0.001 each. On the date of incorporation, the initial subscriber subscribed for, and our Company issued and allotted, the one subscriber Share. On the same date, the one initial Share was transferred from the initial subscriber to Eternal International for a consideration at par value.

On June 18, 2024, our Company allotted and issued one Share credited as fully paid at par to Eternal International.

On [●], the authorized share capital of our Company was increased from HK\$380,000 divided into 380,000,000 Shares of a par value of HK\$0.001 each to HK\$7,000,000 divided into 7,000,000,000 Shares of a par value of HK\$0.001 each by the creation of an additional of 6,620,000,000 Shares of par value of HK\$0.001 each.

Immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), the authorized share capital of our Company will be HK\$7,000,000 divided into 7,000,000,000 Shares, of which [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “— A. Further Information about our Group — 4. Resolutions in writing of our Shareholders passed on [●] 2024” in this Appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1.2 to the Accountant’s Report as set out in Appendix I to this document.

Save as disclosed above and in the section headed “History, Development and Corporate Structure”, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Resolutions in writing of our Shareholders passed on [●] 2024

Pursuant to the written resolutions of the then Shareholders of our Company entitled to vote at general meetings of our Company, which were passed on [●] 2024:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect;
- (b) our Company approved and conditionally adopted the Articles of Association with effect from the [REDACTED];
- (c) conditional upon (i) the Listing Committee of the Stock Exchange granting the [REDACTED] of, and permission to [REDACTED], on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the [REDACTED], the [REDACTED], the [REDACTED] Share Option Scheme, and the Share Option Scheme) as mentioned in this document; and (ii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and the [REDACTED] not being terminated in accordance with the terms of the [REDACTED] or otherwise:
 - (i) conditional on the share premium account of our Company being credited as a result of the [REDACTED], the sum of HK\$[REDACTED] be capitalized and applied in paying up in full at par value [REDACTED] Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the [REDACTED] and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares;
 - (ii) the [REDACTED] and the [REDACTED] were approved and our Directors were authorized to allot and issue the [REDACTED] and the Shares as may be required to be allotted and issued upon the exercise of the [REDACTED] on and subject to the terms and conditions stated in this document and in the relevant application forms;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (1) administer the Share Option Scheme; (2) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (3) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (4) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (5) make application at the appropriate time or times to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (6) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;
- (iv) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the [REDACTED] Share Option Scheme, the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the number of Shares not exceeding 20% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first; for the purpose of this paragraph, "**Rights Issue**" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

- (v) a general unconditional mandate be and is hereby granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose ("**Repurchase Mandate**"), an aggregate number of Shares not exceeding 10% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first; and

- (vi) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(iv) above by the addition to the total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to paragraph (c)(v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

5. Repurchase of our Shares

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) *Provision of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders’ approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●] 2024, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total of up to 10% of the aggregate number of our Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the Directors resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as canceled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands law.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(c) Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than [REDACTED]% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

Please refer to the section headed “History, Development and Corporate Structure — Corporate Development and Reorganization” in this document.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this document that are or may be material:

- (a) the Deed of Indemnity;
- (b) the [REDACTED].











APPENDIX IV STATUTORY AND GENERAL INFORMATION

2. Material intellectual property rights of our Group

As of the Latest Practicable Date, our Group has registered, or has applied for the registration of the following intellectual property rights which were material to our Group’s business.

(a) Trademarks in Hong Kong

As of the Latest Practicable Date, we have registered the following trademarks in Hong Kong which, in the opinion of our Directors, are material to our business:

No.	Trademarks	Registered Owner	Registered Class	Registration Number	Expiry Date (mm/dd/yyyy)
1 . .	A  B  C 	Eternal Far East	3/7/9/25/35/44	304580604	06/28/2028
2 . .	拾 弄 無 盒 拾 弄 無 盒	Eternal Far East	3//35/42/44	305515326	01/24/2031
3 . .		Eternal Far East	3/9	305554864	03/07/2031
4 . .		Eternal Far East	3/9	305554873	03/07/2031
5 . .	A  SANTA MONICA	Eternal Far East	9	200002274	05/19/2026
6 . .	B  SANTA MONICA	Eternal Far East	9/21	303141639	09/18/2024
7 . .		Eternal Far East	9/21	303141648	09/18/2024
8 . .		Eternal Far East	9/21	303141657	09/18/2024
9 . .	 SANTA MONICA	Eternal Far East	9/21	303399751	05/05/2025
10 .	ELITE TITAN	Eternal Far East	9/21	303399760	05/05/2025
11 .	YAN PLANET	Moral Happiness	35	305987134	06/16/2032
12 .	颜气圈	Moral Happiness	35	305987152	06/16/2032




APPENDIX IV STATUTORY AND GENERAL INFORMATION

As of the Latest Practicable Date, we have applied to register the following trademarks in Hong Kong:

No.	Trademarks	Applicant	Applied Class	Application Number	Application Date (mm/dd/yyyy)
1 . .		Eternal Far East	3/7/9/25/35/44	306503274	03/19/2024

(b) Trademarks in the PRC

As of the Latest Practicable Date, we have registered the following trademarks in PRC which, in the opinion of our Directors, are material to our business:

No.	Trademarks	Registered Owner	Registered Class	Registration Number	Expiry Date (mm/dd/yyyy)
1 . .	yanqiquan	Eternal Shanghai Trading	3;5;9;16;21;39; 42	49261309	06/06/2031
2 . .	颖通	Eternal China Trading	3	13205568	01/20/2025
3 . .	颖通	Eternal China Trading	9	13205593	01/20/2025
4 . .	颖通	Eternal China Trading	16	13205615	01/20/2025
5 . .	颖通	Eternal China Trading	35	13205659	01/06/2025
6 . .	颖通	Eternal China Trading	42	13205705	01/27/2025
7 . .	<i>Eternal</i>	Eternal China Trading	44	13205741	05/20/2025
8 . .	颖通	Eternal China Trading	44	19850859	06/20/2027
9 . .		Eternal China Trading	9	20907706	09/27/2027
10 .		Eternal China Trading	16	20907723	09/27/2027
11 .		Eternal China Trading	42	20907625	12/06/2027

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Trademarks	Registered Owner	Registered Class	Registration Number	Expiry Date (mm/dd/yyyy)
12 .		Eternal China Trading	44	20907409	12/06/2027
13 .		Eternal China Trading	3;9;25;35;44	30872859	05/06/2029
14 .		Eternal China Trading	35	14171010	05/06/2025
15 .		Eternal China Trading	9;18;22;25-26; 44	32979770A	10/13/2029
16 .	颖时尚	Eternal China Trading	3	33549814	06/27/2030
17 .	颖时尚	Eternal China Trading	3	33549814A	09/06/2029
18 .	PerfumeBox	Eternal China Trading	9;18;22;25-26; 35;44	34127603A	11/06/2029
19 .	香水盒子	Eternal China Trading	9;18;22;25-26; 35;44	34127604A	11/06/2029
20 .	PerfumeBox 香水盒子	Eternal China Trading	9;18;22;25-26; 35;44	34127605A	11/06/2029
21 .	SANTA MONICA	Eternal China Trading	3	44874327	12/27/2030
22 .	颜气圈	Eternal China Trading	3;5;9;16;21; 35;39;42	48852482A	05/06/2031
23 .	颖通星球	Eternal China Trading	3;35	60873102	05/13/2032
24 .	颖通星球	Eternal China Trading	9	65820042	01/13/2033
25 .		Eternal China Trading	9	1338776	11/27/2029
26 .	圣曼尼加	Eternal China Trading	9	7112485	10/13/2030
27 .		Eternal China Trading	9	15419253	11/06/2025
28 .		Eternal China Trading	9	15418937	11/06/2025
29 .		Eternal China Trading	9	15418930	11/06/2025
30 .	圣曼尼加2	Eternal China Trading	9	15419655	11/06/2025

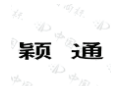
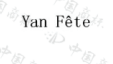

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Trademarks	Registered Owner	Registered Class	Registration Number	Expiry Date (mm/dd/yyyy)
31 .		Eternal China Trading	35	15937571	02/20/2026
32 .	ELITE TITAN	Eternal China Trading	9	17210152	08/20/2026
33 .		Eternal China Trading	9	19847930	06/20/2027
34 .	圣曼尼加	Eternal China Trading	3	21477285	11/20/2027
35 .	圣曼尼加	Eternal China Trading	16	21477678	11/20/2027
36 .	圣曼尼加	Eternal China Trading	18	21477837	11/20/2027
37 .	圣曼尼加	Eternal China Trading	28	21478215	01/13/2028
38 .	SANTA MONICA	Eternal China Trading	9	22760587	02/20/2028
39 .	SANT MONICA JUNIOR	Eternal China Trading	9	24490974	06/13/2028
40 .	SANTA MONICA	Eternal China Trading	35	24588789	08/20/2028
41 .	SANTA MONICA	Eternal China Trading	9	24588817	08/20/2028
42 .		Eternal China Trading	16	24591073	01/06/2029
43 .	Santa Monica Cali	Eternal China Trading	9	30872858	03/20/2029
44 .		Eternal China Trading	3;35;42;44	49807842	09/13/2031
45 .		Eternal China Trading	3;35;42;44	49811718	05/27/2031
46 .	圣曼尼加	Eternal China Trading	10	50713161	06/20/2031
47 .		Eternal China Trading	35;44	50901756	09/27/2032
48 .		Eternal China Trading	3;42;44	50901756A	08/20/2031
49 .	YAN PLANET	Eternal China Trading	3;5;9;16;21; 35;39;42	51938017	08/20/2031
50 .	Santa Monster	Eternal China Trading	3;9;35	53252575	09/06/2031

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Trademarks	Registered Owner	Registered Class	Registration Number	Expiry Date (mm/dd/yyyy)
51 .		Eternal China Trading	3	53273692	02/13/2032
52 .		Eternal China Trading	3;9;35	53273692A	10/20/2031
53 .		Eternal China Trading	3	53257968	03/06/2032
54 .		Eternal China Trading	3;35	53257968A	10/27/2031
55 .		Eternal China Trading	3	53273733	03/13/2032
56 .		Eternal China Trading	3;35	53273733A	10/20/2031
57 .		Eternal China Trading	41;44	58321973A	04/27/2032
58 .		Eternal China Trading	3	65746940	01/27/2033
59 .		Eternal China Trading	4	65863495	12/27/2032
60 .		Eternal China Trading	35;42;44	60487889	05/06/2032
61 .		Eternal China Trading	3;35	60908147	07/27/2032
62 .		Eternal China Trading	3;35	65967567	05/06/2033
63 .		Eternal China Trading	3-4;35;42;44	66029634	01/13/2033
64 .		Eternal China Trading	3-4;35;42;44	66034725	01/06/2033
65 .		Eternal China Trading	3;4;5;9;10;35; 38;41;42;44	69506460	09/06/2033
66 .		Eternal China Trading	3;5;9;10;35; 38;41;42;44	70589236	11/13/2033
67 .		Eternal China Trading	5	70561710	10/06/2033

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Trademarks	Registered Owner	Registered Class	Registration Number	Expiry Date (mm/dd/yyyy)
68 .		Eternal China Trading	44	19850859	06/20/2027
69 .		Eternal China Trading	21	51999988	08/13/2031
70 .		Eternal China Trading	35	58321973	08/13/2033

(c) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Copyrights	Registered Owner	Registration Number	Registration Date (mm/dd/yyyy)
1 . .	穎通雲店管理系統V1.0	Eternal Shanghai Digintelligence Hangzhou Branch	2023SR0420416	03/30/2023
2 . .	ETERNAL	Eternal China Trading	國作登字-2022-F-10217075	10/27/2022
3 . .	永恒之日	Eternal China Trading	國作登字-2022-F-10216736	10/27/2022
4 . .	優雅永恒	Eternal China Trading	國作登字-2022-F-10217074	10/27/2022

(d) Patents

As of the Latest Practicable Date, we have registered the following patents which, in the opinion of our Directors, are material to our business:

No.	Registered Owner	Patent Name	Patent Number	Application Date (mm/dd/yyyy)
1 . .	Eternal China Trading	一種無螺絲鏡腳結構	ZL202222157852.4	08/16/2022
2 . .	Eternal China Trading	一種無螺絲的鏡腿結構	ZL202021949681.3	09/08/2020
3 . .	Shanghai Smiley	圓球按壓式化妝品容器	ZL202130838347.4	12/17/2021

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(e) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

No.	Domain Name	Registered Owner	Expiry Date (mm/dd/yyyy)
1	eternal.cn	Eternal Shanghai Trading	04/04/2033
2	santamonicaeyewear.cn	Eternal Shanghai Trading	12/19/2024
3	witheternal.cn	Eternal Shanghai Trading	07/31/2024
4	eternalsys.com	Eternal Shanghai Trading	04/28/2033
5	m21g.cn	Eternal Shanghai Digintelligence Hangzhou Branch	11/10/2027
6	m21g.net	Eternal Shanghai Digintelligence Hangzhou Branch	11/10/2027
7	m21g.com	Eternal Shanghai Digintelligence Hangzhou Branch	11/10/2027
8	m21g.com.cn	Eternal Shanghai Digintelligence Hangzhou Branch	11/10/2027
9	eternal.hk	Eternal Far East	09/29/2026
10	witheternal.hk	Eternal Far East	11/21/2024
11	al-eternal.com.hk	Eternal Far East	01/09/2025
12	orlane.com.hk	Eternal Far East	02/13/2025
13	orlane.hk	Eternal Far East	01/15/2025
14	santamonicaeyewear.com	Eternal Far East	06/21/2028
15	eternal-op.com.hk	Eternal Far East	01/16/2029
16	annasuibeaauty.hk	Eternal Far East	10/06/2024
17	academie.com.hk	Eternal Far East	06/16/2026

D. FURTHER INFORMATION OF OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors’ Service Contracts and Appointment Letters

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for a term of [three years] with effect from the [REDACTED], renewable by mutual consent. The office of a Director is liable to be vacated in certain circumstances pursuant to the Articles of Association. The appointment of each of the executive Directors may be terminated by either party by giving at least [three months’] written notice to the other. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(b) Independent non-executive Directors

Each of the independent non-executive Directors has signed a letter of appointment with us for a term of [one year] commencing from the [REDACTED], renewable by mutual consent. The appointment of each of the independent non-executive Directors may be terminated by either party giving at least [three months’] written notice to the other. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

2. Directors’ Remuneration

For details of our Directors’ remuneration, see “Directors and Senior Management — Remuneration of Directors and Senior Management” in this document and Note 34 to the Accountant’s Report as set out in Appendix I to this document.

3. Disclosure of interests

(a) Interests and short positions of our Directors or our chief executive officer in our share capital and our associated corporations immediately following the completion of the Capitalization Issue and the [REDACTED]

Immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules, are listed will be as follows:

Name	Capacity/Nature of Interest	Immediately following the completion of the Capitalization Issue and the [REDACTED] ⁽²⁾	
		Number of Shares ⁽¹⁾	Approximate percentage of shareholding in our Company
Mr. Lau	Interest in controlled corporation ⁽³⁾⁽⁴⁾	[REDACTED]	[REDACTED]%
Ms. Lam	Beneficial owner ⁽⁴⁾	[6,380,000]	[REDACTED]%
Ms. Lau	Beneficial owner ⁽⁴⁾	[3,189,000]	[REDACTED]%
Mr. Chu	Beneficial owner ⁽⁴⁾	[1,282,000]	[REDACTED]%

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Notes:

- (1) All interests stated are long positions.
- (2) Assuming the [REDACTED] is not exercised, and without taking into account any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme.
- (3) Eternal International is owned as to 90% by Mr. Lau and 10% by Mrs. Lau. By virtue of the SFO, Mr. Lau is therefore deemed to be interested in all the Shares in which Eternal International is interested in.
- (4) These Shares represent the Shares to be issued upon the exercise of options granted under the [REDACTED] Share Option Scheme.

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

Immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme), so far as our Directors are aware, the following persons (not being our Director or chief executives of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name	Capacity/Nature of Interest	Immediately following the completion of the Capitalization Issue and the [REDACTED] ⁽²⁾	
		Number of Shares ⁽¹⁾	Approximate percentage of shareholding in our Company
Eternal International	Beneficial owner	[REDACTED]	[REDACTED]%
Mrs. Lau	Interest of spouse ⁽³⁾	[REDACTED]	[REDACTED]%

Notes:

- (1) All interests stated are long positions.
- (2) Assuming the [REDACTED] is not exercised, and without taking into account any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme.
- (3) Mrs. Lau is the spouse of Mr. Lau. By virtue of the SFO, Mrs. Lau is therefore deemed to be interested in all the Shares that Mr. Lau is interested in.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

5. Disclaimers

Save as disclosed in this document and as of the Latest Practicable Date:

- (a) none of our Directors nor any of the parties listed in the section headed “G. Other Information — 8. Qualifications of Experts” of this Appendix was interested in, directly or indirectly, in the promotion of, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) save in connection with the [REDACTED], none of our Directors nor any of the parties listed in the section headed “G. Other Information — 8. Qualifications of Experts” of this Appendix was materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (c) save in connection with the [REDACTED], none of the parties listed in the section headed “G. Other Information — 8. Qualifications of Experts” below is interested legally or beneficially in any securities of our Company or any member of our Group; or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any member of our Group;
- (d) none of our Directors or their respective close associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of the number of our issued shares) has any interest in our five largest suppliers or our five largest customers.

E. [REDACTED] SHARE OPTION SCHEME

1. Material terms of [REDACTED] Share Option Scheme

The following is a summary of the principal terms of the [REDACTED] Share Option Scheme of the Company adopted and approved by the then Shareholder with effect from June 18, 2024. The terms of the [REDACTED] Share Option are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any grant of awards by our Company after the [REDACTED] to subscribe for new Shares. Terms defined and used under this sub-section headed “[REDACTED] Share Option Scheme” shall apply to this sub-section only.

(a) Purpose

The purpose of the [REDACTED] Share Option Scheme is to recognize the contributions by certain eligible participant(s) and to give incentives thereto in order to retain and motivate them for the continual operation and development of our Group; and to attract suitable personnel for further development of our Group, by providing them with the opportunity to acquire equity interests in our Company.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(b) Participants

The participants of the [REDACTED] share Option Scheme shall be management personnel, full-time and part-time employee(s) of any member of our Group.

(c) Administration

The [REDACTED] Share Option Scheme shall be subject to the administration of our Board and/or the Trustee in accordance with the rules of the [REDACTED] Share Option Scheme and the Trust Deed. The decision of our Board and/or the Trustee on all matters arising in relation to the Scheme or its interpretation or effect shall (save as otherwise provided in the [REDACTED] Share Option Scheme) be final and binding on all parties. The Board may delegate any or all of its powers in relation to the Scheme to any of its committees.

Eternal Beauty Investment Limited is a company incorporated in BVI and wholly-owned by Futu Trustee Limited (the “Trustee”), the trustee of the trust set up by the Company to facilitate the administration of the [REDACTED] Share Option Scheme (the “Trust”). Pursuant to the trust deed of the Trust, options with 8,900,000 underlying Shares are held by Eternal Beauty Investment Limited and administered under the Trust by the Trustee, solely for the benefit of certain identified grantees under the [REDACTED] Share Option Scheme. The remaining options with 17,294,000 underlying Shares are held by the relevant grantees directly.

(d) Grant and adjustment of options

Any grant to any participants shall be considered by the Board and subject to approval of the Board. In the event that any participant becomes ineligible under the [REDACTED] Share Option Scheme, or is transferred to any other position or terminates his or her employment with our Company, or dies, the Board may make adjustments to such participant pursuant to the [REDACTED] Share Option Scheme.

(e) Maximum number of shares subject to the [REDACTED] Share Option Scheme

The underlying Shares of the options under the [REDACTED] Share Option Scheme shall be the Shares to be issued by our Company. The maximum number of Shares underlying the options under the [REDACTED] Share Option Scheme shall be no more than 26,194,000 Shares, representing approximately [REDACTED]% of the total issued Shares of our Company immediately before the [REDACTED] and [REDACTED]% immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme).

(f) Exercise price

The exercise price of each option under the [REDACTED] Share Option Scheme is HK\$0.1.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(g) Vesting schedule

The options granted under the [REDACTED] Share Option Scheme are not subject to any vesting schedule.

(h) Exercise and lapse of options

The term of options under the [REDACTED] Share Option Scheme shall be 10 years from the grant date. Subject to satisfaction of the exercising conditions, participants shall have the right to exercise the options vested to such participant under the [REDACTED] Share Option Scheme upon [REDACTED] or to waive such right during the term. Any options not exercised during the term due to any reason of participants shall be automatically cancelled by the Board upon expiration of the term.

(i) Lock-up arrangements

The Shares issued pursuant to the exercise of the options granted under the [REDACTED] Share Option Scheme shall be subject to the following lock-up period during which the relevant Shares shall not be transferred or used as collateral or used for debt repayment.

<u>Date</u>	<u>Percentage of options that are not subject to lock-up</u>
1 month after the [REDACTED] . . .	40% of the total number of options granted
1 year after the [REDACTED]	30% of the total number of options granted
2 years after the [REDACTED]	30% of the total number of options granted

(j) Voting right

No voting rights shall be exercisable in relation to any options or the underlying Shares of options that have not been exercised.

(k) Dividend rights

No dividends shall be payable in relation to any options or the underlying Shares of options that have not been exercised.

(l) Termination

Our Company may by resolution in general meeting at any time terminate the operation of the [REDACTED] Share Option Scheme. Upon termination of the [REDACTED] Share Option Scheme as aforesaid, no further options shall be offered but the provisions of the [REDACTED] Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable until expiry of the relevant exercise period, subject to and in accordance with the [REDACTED] Share Option Scheme.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(m) Transferability

Without consent of our Board, no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

(n) Tax

Any proceeds received by the grantees under the [REDACTED] Share Option Scheme shall be subject to payment of individual income taxes and other taxes and fees imposed under applicable tax laws. The grantees shall be liable for any fees and taxes arising from exercising, selling, transferring, using, purchasing and other circumstances relating to the options under the [REDACTED] Share Option Scheme.

2. Outstanding share options

As of the Latest Practicable Date, options to subscribe for an aggregate of 26,194,000 Shares have been granted to a total of 18 eligible participants by our Company at nil consideration under the [REDACTED] Share Option Scheme on June 24, 2024 and July 8, 2024, respectively, representing approximately [REDACTED]% of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme). The exercise price of each option granted was HK\$0.1.

Assuming 26,194,000 Shares will be issued upon the full vesting and exercise of all outstanding options granted under the [REDACTED] Share Option Scheme, the shareholding of our Shareholders immediately following completion of the Capitalization Issue and the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] will be diluted by approximately [REDACTED]%. The dilution effect on our earnings per Share would be approximately [REDACTED]% arising from the issue of shares in respect of such outstanding options.

Save and except as set out above, no other options have been granted or agreed to be granted by our Company under the [REDACTED] Share Option Scheme. Our Company will not grant any further options under the [REDACTED] Share Option Scheme prior to, on or after the [REDACTED].

Application has been made to the Listing Committee for the [REDACTED] of and permission to [REDACTED] the Shares to be issued pursuant to the [REDACTED] Share Option Scheme.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

3. Summary of grantees

Below is a list of grantees under the [REDACTED] Share Option Scheme that are outstanding as of the Latest Practicable Date:

Name	Address	Date of grant	Option period	Number of Shares under the options granted	Approximate percentage of the issued share capital of our Company immediately after completion of the Capitalization Issue and the [REDACTED]⁽¹⁾
Directors					
Ms. Lam King	Flat A, 51/F, Block 5 Vision City 1 Yeung Uk Road Tsuen Wan Hong Kong	July 8, 2024	10 years from the date of grant	6,380,000	[REDACTED]%
Ms. Lau Wing Yin . .	Flat B, 8/F, Tower 4 Regency Park 3 Wah King Hill Road Kwai Chung New Territories Hong Kong	July 8, 2024	10 years from the date of grant	3,189,000	[REDACTED]%
Mr. Chu Wai Tsun, Baggio	Flat C, 18/F Sun Kong Building 2-J Sai Young Choi Street Mong Kok Kowloon Hong Kong	July 8, 2024	10 years from the date of grant	1,282,000	[REDACTED]%
Senior management					
Ms. Wang Wei	Room 103, No. 11, Lane 19 Kaibin Road Shanghai	June 24, 2024	10 years from the date of grant	2,868,000	[REDACTED]%

APPENDIX IV STATUTORY AND GENERAL INFORMATION

<u>Name</u>	<u>Address</u>	<u>Date of grant</u>	<u>Option period</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of the issued share capital of our Company immediately after completion of the Capitalization Issue and the [REDACTED]⁽¹⁾</u>
Mr. Xue Yanhe	No. 28, Beiguanfang Hutong Xicheng District Beijing, China	June 24, 2024	10 years from the date of grant	2,702,000	[REDACTED]%
Mr. Huang Huiyong .	Room 303, Block 11, No. 74 Qixing Street Licheng District Quanzhou City Fujian, China	June 24, 2024	10 years from the date of grant	1,442,000	[REDACTED]%
Ms. Lam Hiu Ying . .	Flat B, 12/F Tower 1B Malibu Lohas Park Hong Kong	July 8, 2024	10 years from the date of grant	1,144,000	[REDACTED]%
Other employees					
Ms. Chan Wai Chun .	Flat A, 16/F, Tower 3 Regency Park 3 Wah King Hill Road Kwai Chung New Territories Hong Kong	July 8, 2024	10 years from the date of grant	697,000	[REDACTED]%
Mr. Lau Andy Wing Hang	Flat A, 16/F, Tower 6 Regency Park 3 Wah King Hill Road Kwai Chung Hong Kong	July 8, 2024	10 years from the date of grant	1,890,000	[REDACTED]%

APPENDIX IV STATUTORY AND GENERAL INFORMATION

<u>Name</u>	<u>Address</u>	<u>Date of grant</u>	<u>Option period</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of the issued share capital of our Company immediately after completion of the Capitalization Issue and the [REDACTED]⁽¹⁾</u>
Ms. Chung Kok Kuen	Flat A, 9/F, Block 6 Lagoon Court Kingswood Villas Tin Shui Wai New Territories Hong Kong	July 8, 2024	10 years from the date of grant	752,000	[REDACTED]%
Ms. Lee Shuk King .	Room 2408, 24/F, Lung Wai House, Lower Tai Sin Estate, Wong Tai Sin, New Territories, Hong Kong	July 8, 2024	10 years from the date of grant	831,000	[REDACTED]%
Ms. Wong Wai Man .	Flat 6, 8/F, Block B Greenview Garden Tai Wai, Hong Kong	July 8, 2024	10 years from the date of grant	509,000	[REDACTED]%
Ms. Man On Kei . . .	Flat H, 40/F, Tower 5 Phase 1, Ocean Shores Tseung Kwan O Hong Kong	July 8, 2024	10 years from the date of grant	620,000	[REDACTED]%
Mr. Li Weiguang . . .	Room 501, No. 14, Jiangyan South Street Haizhu District Guangzhou, China	June 24, 2024	10 years from the date of grant	452,000	[REDACTED]%

APPENDIX IV STATUTORY AND GENERAL INFORMATION

<u>Name</u>	<u>Address</u>	<u>Date of grant</u>	<u>Option period</u>	<u>Number of Shares under the options granted</u>	<u>Approximate percentage of the issued share capital of our Company immediately after completion of the Capitalization Issue and the [REDACTED]⁽¹⁾</u>
Mr. Fu Haifeng	Room 103, No. 58, Lane 1182 Dong Lu Road, Pudong District Shanghai, China	June 24, 2024	10 years from the date of grant	429,000	[REDACTED]%
Mr. Wang Hongtao . .	Room 1502, No. 135, 338 Nong North Huting Road Songjiang District Shanghai, China	June 24, 2024	10 years from the date of grant	553,000	[REDACTED]%
Mr. Wo Zhiwen	No. 8, Lane 449 North Shanxi Road, Zhabei District Shanghai, China	June 24, 2024	10 years from the date of grant	221,000	[REDACTED]%
Mr. Song Yiwu	Room 903, Flat 12 #815 Taolin Road, Pudong District Shanghai, China	June 24, 2024	10 years from the date of grant	233,000	[REDACTED]%
Total				<u>26,194,000</u>	<u>[REDACTED]%</u>

Note:

(1) The above table assumes the [REDACTED] is not exercised and does not take into account any Shares which may be issued upon the exercised of any options granted under the [REDACTED] Share Option Scheme and any options that may be granted under the Share Option Scheme.

F. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme of the Company conditionally adopted and approved by our then Shareholders on [●] 2024 and which shall take effect from the [REDACTED]. The terms of the Share Option Scheme will be governed by Chapter 17 of the Listing Rules. Terms defined and used under this sub-section headed “Share Option Scheme” shall apply to this sub-section only.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Participants (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of an Employee Participant (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options (“**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to any of the Employee Participant, the Related Entity Participant or the Service Provider (collectively, the “**Eligible Participants**”) below:

- (a) any director or employee of our Company or any of its subsidiaries, including persons who are granted Options as an inducement to enter into employment contracts with our Company or any of its subsidiaries (“**Employee Participants**”);
- (b) a director or employee of a holding company, a subsidiary of the holding company or an associated company of our Company (“**Related Entity Participants**”); and
- (c) any person who provides services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of our Group, including (i) a supplier of goods or services to any member of our Group; (ii) a customer of any member of our Group; (iii) a business or joint venture partner, franchisee, contractor, agent or representative in the sports product industry of any member of our Group; (iv) a person or entity (as an independent contractor, consultant, advisor or otherwise) that provides support or any advisory, consultancy, professional or other services to any member of our Group (including support or services in relation to design, research, development, marketing, innovation upgrading, strategic or commercial planning on corporate image, investor relations, product quality control, regulations and policies); and (v) an associate of any of the foregoing persons (“**Service Providers**”). For the avoidance of doubt, Service Providers may not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers (such as auditors or valuers) who provide assurance or are required to perform their services with impartiality and objectivity.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company, shall not in aggregate exceed 10% of the Shares in issue as at the [REDACTED] (such 10% limit representing [REDACTED] Shares) excluding Shares which may fall to be issued upon the exercise of the [REDACTED] granted by our Company (the “**Scheme Mandate Limit**”). The Scheme Mandate Limit may be adjusted in the event of any alteration to the capital structure of our Company by way of capitalization issue, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of our Company but shall not in any event exceed the limits imposed by the Listing Rules. Any such adjustments shall give the Eligible Participants the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the committee of the Board in writing that the adjustments satisfy the requirement.

Our Company may seek approval by its shareholders in general meeting for refreshing the Scheme Mandate Limit after three years from (i) the adoption date of the Share Option Scheme; or (ii) the date of the Shareholders’ approval for the last refreshment (as the case may be). The total number of Shares which may be issued in respect of all options and awards to be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Mandate Limit as refreshed shall not 10% of the Shares in issue as at the date of the Shareholders’ approval for the refreshment.

Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought, and subject to compliance with the requirements set out in the Listing Rules.

4. Maximum entitlement of each participants

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of any relevant class of our Company’s issued share capital from time to time (the “**1% Individual Limit**”). Where any further grant of Options to such an Eligible Participant would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over the 1% Individual Limit, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Participant, the number and terms of the Options to be granted (and Options previously granted in the 12-month period) to such Eligible Participant, the purpose

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

of granting Options to such Eligible Participant and an explanation as to how the terms of the Options serve such purpose. The number and terms (including the exercise price) of the Options to be granted to such Eligible Participant must be fixed before the approval of our Shareholders. In respect of any Options to be granted, the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Participant as the Board may in its absolute discretion select to subscribe at the exercise price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a [REDACTED] for [REDACTED] the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, any grant of Options to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, shall be approved by the independent non-executive directors of our Company (excluding the independent non-executive Director who is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of securities in issue, such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to an Eligible Participant who is a Director, chief executive or a substantial shareholder, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

7. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until (and including) the trading day after it has announced the information. In particular, no Option shall be granted during the period

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements. No Options shall be granted during any period of delay in publishing a results announcement or during any period specified in the Listing Rules as being a period during which no Option may be granted.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion (i) when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set out in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Group and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest; and (ii) at any time after the grant of an Option, waive or amend such conditions, restrictions or limitations to the advantage of the grantee, provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. Unless otherwise determined by the Board and specified in the grant letter, there is no performance target which need to be achieved by the grantee before the Option can be exercised. Options granted to Directors and senior management of our Group without performance targets shall be subject to any other requirements under the Listing Rules.

In certain circumstances, it may be regarded as inequitable for any Options to be vested or retained (as the case may be). Such Options are therefore subject to, in respect of any Options granted to an Eligible Participant, the return or repayment of all or a specific part of such Options by such Eligible Participant and/or the ceasing or variation of the Eligible Participant’s entitlement to receive or be vested with all or a specified part of any such Options which have not yet been vested in the Eligible Participant (the “**Clawback**”), including but not limited to where there has been a material misstatement or omission in the financial report of our Group or if the relevant grantee has engaged in serious negligence, fraud or misconduct. Notwithstanding any other terms of the Share Option Scheme, any Options may be subject to Clawback pursuant to our Company’s policy on Clawback, as amended from time to time. Options granted to Directors and senior management of our Company without Clawback shall be subject to any other requirements under the Listing Rules.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

9. Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days from the grant date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme or after the Share Option Scheme has been terminated. An Option shall be deemed to have been granted and accepted by the Eligible Participant and to have taken effect when the duplicate grant letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Participant, being a date no later than 28 days after the offer date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of [REDACTED] for [REDACTED] Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate grant letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Exercise price

The exercise price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the exercise price shall not be less than whichever is the higher of:

- (a) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the grant date; and
- (b) the average closing price of a Share as stated in the Stock Exchange’s daily quotations sheets for the five Business Days (as defined in the Listing Rules) immediately preceding the grant date.

11. Exercise of Option

- (a) An Option shall be exercised in whole or in part (but if in part only, in respect of a [REDACTED] or any integral multiple thereof) within the exercise period in the manner as set out in this Share Option Scheme by the grantee (or any other person so permitted pursuant to this Share Option Scheme) by giving notice in writing to our Company in the manner to the satisfactory to our Company and stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or any other person so permitted pursuant to this Share Option Scheme) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or any other person so permitted pursuant to this Share Option Scheme) share certificate(s) in respect of the Shares so allotted.

- (b) The exercise of any Option shall be subject to the approval of shareholders of our Company in general meeting for any necessary increase in the authorised share capital of our Company.
- (c) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the exercise period, provided that:
 - (i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he (or his personal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
 - (ii) in the event that the grantee ceases to be (i) an Employee Participant by reason of his retirement pursuant to such retirement scheme applicable to our at the relevant time or (ii) a Related Entity Participant by reason of his retirement pursuant to such retirement scheme applicable to the Related Entity (as the case may be), and none of the events for termination of employment or engagement under subparagraph (v) below exists with respect to such grantee, his Option (to the extent not already exercised) shall be exercisable up to the grantee's entitlement immediately prior to his retirement until the expiry of the relevant exercise period;
 - (iii) in the event that the grantee ceases to be (i) an Employee Participant by reason of his transfer of employment to a Related Entity or (ii) a Related Entity Participant by reason of his transfer of employment to our (as the case may be), his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant exercise period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (iv) in the event that the grantee ceases to be an Employee Participant for any reason (including his employing company ceasing to be a member of our Group or a Related Entity (as the case may be)) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group or Related Entity (as the case may be) at the relevant time or the transfer of his employment to a Related Entity or our Group (as the case may be) or the termination of his employment with the relevant member of our Group or a Related Entity (as the case may be) by resignation or culpable termination, Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

- (v) in the event that the grantee ceases to be an Employee Participant or a Related Entity Participant (as the case may be) by reason of the termination of his employment by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification;

- (vi) if a grantee being:
 - (A) an executive Director ceases to be an executive director or senior management of our but remains a non-executive Director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant exercise period unless the Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

 - (B) a non-executive Director or an independent non-executive Director ceases to be a Director:
 - (1) by reason of his retirement pursuant to our Articles of Association and who notifies our Company that he is not offering himself for reelection at our Company's annual general meeting ("**Non-Executive Director Retirement**"), his Option (to the extent not already exercised) shall be exercisable up to the grantee's entitlement immediately prior to his retirement until the expiry of the relevant exercise period unless the Board in its absolute

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or

- (2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(vii) if:

- (A) the Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Participant;
- (B) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

the Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (A)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (B)) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's entitlement immediately prior to the determination of the Board (in the case of (A)) or the failure of the grantee to satisfy or comply with the criteria or terms and conditions attached to the grant of the Option or which were the basis on which the Option was granted (in the case of (B)) within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance;

(viii) if a grantee (being a corporation):

- (A) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or
- (B) has suspended, ceased or threatened to suspend or cease business; or
- (C) is unable to pay its debts; or

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (D) otherwise becomes insolvent; or
- (E) suffers a change in its constitution, management, directors or shareholding which in the opinion of the Board is material; or
- (F) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or threatened suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or otherwise becomes insolvent or on the date of notification by our Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by our Company of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's entitlement immediately prior to the occurrence of any of the event(s) mentioned in paragraphs (A) to (F) of this paragraph within such period as the Board may in its absolute discretion determine following the date of such occurrence;

- (ix) if a grantee (being an individual):
 - (A) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or
 - (B) has made any arrangement or composition with his creditors generally; or
 - (C) has been convicted of any criminal offence involving his integrity or honesty; or
 - (D) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

entitlement immediately prior to the occurrence of any of the event(s) mentioned in paragraphs (A) to (D) of this paragraph within such period as the Board may in its absolute discretion determine following the date of such occurrence;

- (x) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (xi) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his personal representatives or receiver) may until the expiry of the earlier of:
 - (1) the exercise period;
 - (2) the period of two months from the date of such notice; or
 - (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

Except insofar as exercised in accordance with this paragraph, all Options outstanding at the expiry of the relevant period referred to in this paragraph shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and

- (xii) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

giving notice in writing to our Company in the manner to the satisfactory to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee (or any other person so permitted pursuant to the share Option Scheme) credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (a) the expiry of the exercise period;
- (b) the expiry of any of the period referred to paragraphs related to exercise of the Option;
- (c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme — 11. Exercise of Option" in this Appendix, the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization issue, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company (or any other actions which may have an impact on the share capital of our Company, other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the exercise price of each outstanding Option,

provided that the maximum number of Shares that may be issued in respect of all options and awards to be granted under all of the schemes of our Company under the Scheme Mandate Limit or the Service Provider Limit as a percentage of the total number of issued Shares immediately before and after such alteration to the capital structure of our shall be the same, rounded to the nearest whole share.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall give an Eligible Participant the same proportion of equity capital, rounded to the nearest whole share, as that to which the Eligible Participant was previously entitled to, but no such adjustments shall be made to the extent that a Share would be issued at less than its normal value (if any). In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy the requirement set out in this paragraph;
- (b) any such adjustments shall be made on the basis that the aggregate exercise price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (c) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "**Cancellation Date**"):

- (a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to the Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

Options cancelled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit and the Service Provider Limit. Where our Company cancels Options granted to an Eligible Participant, and makes a new grant to the same Eligible Participant, such new grant may only be made under the Scheme with available Scheme Mandate Limit approved by the shareholders of our Company.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

New grantee shall enjoy any rights of a Shareholder by virtue of the grant of an Option pursuant to the Scheme, unless and until Shares are actually issued to the grantee pursuant to the exercise of an Option. The Options do not carry any right to vote in general meeting of our Company, or the right to dividend and other rights, including those arising on a liquidation of our Company. Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person so permitted pursuant to the Share Option Scheme) as the holder thereof.

The outstanding Options granted may not be exercised if all or part of the exercise of the Options will result in the holding of the total issued Shares by the public falling below [REDACTED]% (or such other percentage stipulated under the Listing Rules or permitted by the Stock Exchange).

In the event the grantee has been suspended from his duties or performance of the relevant contract of employment, directorship, appointment or engagement by the relevant member of our Group or the Related Entity (as the case may be), no Option can be exercised until such suspension has been lifted.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable until expiry of the relevant exercise period subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so, except for a transfer to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee for estate planning or tax planning as permitted by the Stock Exchange or under the Listing Rules). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior approval of our Shareholders in general meeting by ordinary resolution:

- (a) any alteration to the terms and conditions of the Scheme which are material in nature or any alterations to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants;
- (b) any change to the authority of the Board to alter the terms of the Scheme; and
- (c) any alteration to the aforesaid alteration provisions, provided always that the amended terms of the Share Option Scheme or the Options shall comply with the applicable requirements of the Listing Rules.

20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (a) the approval of our Shareholders for the adoption of the Share Option Scheme;
- (b) the approval of the Stock Exchange for the [REDACTED] of and permission to [REDACTED], a maximum of [REDACTED] Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;
- (c) the commencement of [REDACTED] in our Shares on the Stock Exchange; and
- (d) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

- (a) the Share Option Scheme will forthwith terminate;
- (b) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (c) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (d) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the [REDACTED] of [REDACTED] Shares which may be issued pursuant to the exercise of options under the [REDACTED] Share Option Scheme and the Share Option Scheme.

G. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the [REDACTED] of, and permission to [REDACTED], (i) our Shares in issue, (ii) the Shares to be issued pursuant to the [REDACTED] (including any Shares which may be issued under the exercise of the [REDACTED]), the Capitalization Issue, and (iii) any Shares to be issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme or may be granted under the Share Option Scheme.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into engagement agreements with the Joint Sponsors, pursuant to which our Company agreed to pay the Joint Sponsor a total fee of US\$1,250,000 to act as sponsors to our Company in the [REDACTED].

4. Compliance advisor

Our Company has appointed Alliance Capital Partners Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary expenses

Our estimated preliminary expenses are approximately US\$5,279 and have been paid by us.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

6. Promoter

We do not have any promoter. Within the two years immediately preceding the date of this document, no cash, securities or other benefits have been paid, allotted or given nor are any proposed cash, securities or other benefits to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

7. Agency fees or commission received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of our Group.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice contained in this document:

BNP Paribas Securities (Asia) Limited . . .	A corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
CITIC Securities (Hong Kong) Limited . .	A corporation licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Beijing Jingtian & Gongcheng Law Firm .	Legal advisor to the Company as to PRC law
Frost & Sullivan Limited	Industry consultant

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Consents of experts

Each of the experts named in “Qualifications of Experts” has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

10. Binding effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

11. Bilingual document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. No material adverse change

Our Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position or prospect of our Group since [March 31, 2024] (being the date to which the latest audited combined financial statements of our Group were prepared).

APPENDIX IV STATUTORY AND GENERAL INFORMATION

13. Particulars of the [REDACTED]

The [REDACTED] will sell [REDACTED] Shares representing approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised, and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme). The number of Shares held by the [REDACTED] prior to and following the sale of [REDACTED] Shares are set out in the table below:

Name of the [REDACTED]	Number of Shares held by the [REDACTED] as of the date of this Document	Number of [REDACTED] to be sold by the [REDACTED]	Number of Shares held by the [REDACTED] immediately following the completion of the Capitalization Issue and the [REDACTED] ⁽¹⁾	Approximate percentage of Shareholding of the [REDACTED] immediately following the completion of the Capitalization Issue and the [REDACTED] ⁽¹⁾
Eternal Beauty International Limited	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%

(1) Assuming the [REDACTED] is not exercised and without taking into account any options granted under the [REDACTED] Share Option Scheme and any options which may be granted under the Share Option Scheme.

Particulars of the [REDACTED] are set out below:

Name: Eternal Beauty International Limited

Place of incorporation: British Virgin Islands

Date of incorporation: January 8, 2024

Registered office: Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town, Tortola British Virgin Islands VG1110

Number of [REDACTED] to be sold as part of the [REDACTED]: [REDACTED]

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

H. MISCELLANEOUS

1. Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (a) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (c) neither our Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (d) no commissions, discounts, brokerage or other special terms have been granted or agreed to be granted in connection with the issue or sale of any shares or loan capital of any member of our Group; and
 - (e) no commission has been paid or payable (except commissions to the [REDACTED]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;
2. our Company has no outstanding convertible debt securities or debentures;
3. no equity or debt securities of any company within our Group is presently [REDACTED] on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought;
4. there is no arrangement under which future dividends are waived or agreed to be waived; and
5. There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this document.

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the material contracts referred to under “Statutory and General Information — C. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this document;
- (b) the written consents referred to under “Statutory and General Information — G. Other Information — 4. Consents of Experts” in Appendix IV to this document; and
- (c) a copy of the statement of particulars of the [REDACTED].

B. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.eternal.hk up to and including the date which is 14 days from the date of this document:

- (a) our Memorandum and Articles of Association;
- (b) the Accountant’s Report of our Group prepared by PricewaterhouseCoopers, the texts of which are set out in Appendix I to this document;
- (c) the report on the unaudited [REDACTED] financial information of our Group prepared by PricewaterhouseCoopers, the texts of which are set out in Appendix II to this document;
- (d) the audited combined financial statements of our Company for the three years ended March 31, 2022, 2023 and 2024;
- (e) the PRC legal opinions issued by Beijing Jingtian & Gongcheng Law Firm, our legal advisor as to PRC laws, in respect of certain general corporate matters and property interests of our Group;
- (f) the legal opinion issued by Beijing Jingtian & Gongcheng Law Firm, our PRC Data Compliance Advisor, in respect of PRC laws and regulations as to cybersecurity and data protection;
- (g) the letter of advice issued by Conyers Dill & Pearman, our legal advisor as to Cayman Islands laws, in respect of certain aspects of the Cayman Companies Act referred to in Appendix III to this document;

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

- (h) the report issued by Frost & Sullivan, the summary of which is set forth in the section headed “Industry Overview” in this document;
- (i) the material contracts referred to in “Statutory and General Information — C. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this document;
- (j) the written consents referred to in “Statutory and General Information — G. Other Information — 9. Consents of Experts” in Appendix IV to this document;
- (k) the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information — D. Further Information of our Directors and Substantial Shareholders — 1. Directors’ Service Contracts and Appointment Letters” in Appendix IV to this document;
- (l) the terms of the Share Option Scheme;
- (m) the Cayman Companies Act; and
- (n) a copy of the statement of particulars (including names, registered addresses, and descriptions) of the [REDACTED].