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Application Proof of



Shenzhen HBN Technology (Group) Company Limited 深圳護家科技(集團)股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

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Shenzhen HBN Technology (Group) Company Limited 深圳護家科技(集團)股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] H Shares (subject to the
[REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation)
Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per H Share, plus
brokerage of 1%, SFC transaction levy of
0.0027%, AFRC transaction levy of
0.00015% and Stock Exchange trading fee
of 0.00565% (payable in full on
[REDACTED] and subject to
[REDACTED])
Nominal value : RMB[0.20] per H Share
[REDACTED] : [REDACTED]

*Joint Sponsors, [REDACTED],
[REDACTED], [REDACTED] and [REDACTED]*

Morgan Stanley

 CICC 中金公司

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The [REDACTED] (for themselves and on behalf of the [REDACTED]), may, with consent of our Company, reduce the number of [REDACTED] and/or the indicative [REDACTED] range below that stated in this document at any time on or 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 on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.hbn.cn as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. For further information, please refer to the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this document.

The obligations of the Hong Kong [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the subscription for, the [REDACTED], are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED] Date. Further details of such circumstances are set out in the section headed “[REDACTED].” 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 in the United States, and may not be [REDACTED], [REDACTED], pledged or transferred within the United States, except pursuant to an available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold (i) in the United States to QIBs in reliance on Rule 144A or another available exemption from registration requirements under the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

This document is issued by our Company solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any securities other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of marketing, and does not constitute, an [REDACTED] or [REDACTED] in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document to make your [REDACTED] decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document, including our financial statements and the accompanying notes, before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OUR MISSION

Harnessing science to enrich life’s beauty.

OVERVIEW

We are a leading dermatological skincare brand in China, with a prominent position in the corrective skincare market. We established our HBN brand in 2019 with a commitment to “real effective care,” addressing consumers’ growing demand for skincare results backed by scientific evidence. Driven by innovations, we consistently explore the new frontiers for the efficacies of skincare products, offering, among others, corrective skincare products targeting anti-wrinkle, firming, brightening and whitening effects.

Guided by consumer insights, we have cultivated a scalable R&D system centered on interdisciplinary fundamental research, proprietary ingredients and formulations, innovative product design, and a holistic evidence-based validation system (全鏈路多維交叉驗證體系), which enables us to systematically achieve continuous product launches and upgrades. Our rigorous, multi-layer validation system mandates clinical testing by internationally recognized institutions for all products, and encompasses real-world studies at scale of up to tens of thousands of participants. We have been recognized by the Chinese Academy of Social Sciences (中國社會科學院) as one of the earliest brands in China to substantiate efficacy claims based on authoritative clinical evidence. We have also created a new model of consumer engagement with an emphasis on science and evidence. With authoritative evidence and science-led consumer education, we have cultivated a professional, sincere, distinctive and consistent brand image. We are the youngest among the top 10 domestic skincare brands in China in terms of the retail sales value of skincare products in 2024 and the largest domestic dermatological brand in terms of the retail sales value of corrective skincare products in China in 2024, according to the CIC report.

We have achieved industry breakthroughs in multiple key dimensions of China’s corrective skincare segment. As one of the earliest domestic brands to introduce the “Morning C Night A” (“早C晚A”) routine, we have become the leading brand in retinol-based skincare products in China, according to the CIC report. For the three consecutive years from 2022 to 2024, we ranked No. 1 in terms of the sales volume of retinol-based skincare products in China, and our α -arbutin revitalizing essence ranked No. 1 in terms of sales volume among essence toner products in China, according to the same source.

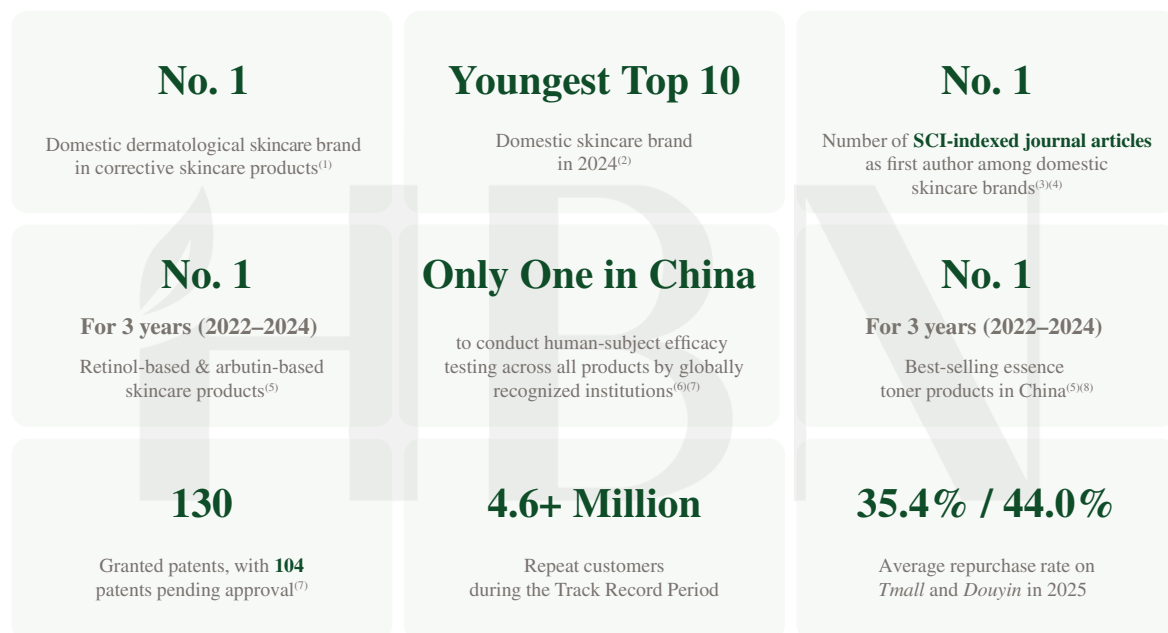
We pursue skincare innovations with sustained investment in R&D. Our fundamental research spans the underlying physiological and pathological mechanisms of skin conditions, active ingredients, innovative formulations, and advanced encapsulation and permeation enhancement technologies. As of December 31, 2025, we ranked No. 1 in terms of the number of articles published in SCI-indexed journals as first author among domestic skincare brands, according to the CIC report. Building on our R&D

SUMMARY

groundwork, we developed our proprietary bakuchiol ferulate, which is China’s first new retinol-analogue-based compound that completed new cosmetic ingredient filing, according to the same source. We have also led in peptide research as the second domestic brand that completed the filing of a new peptide cosmetic ingredient. As of September 30, 2025, we ranked No. 3 among domestic skincare brands in China in terms of the number of proprietary new cosmetic ingredient filings, according to the same source.

We are dedicated to enhancing the industry standards for the efficacy validation of skincare products in China. We are co-leading the development of the first Guiding Principles of Evidence Weighting for Cosmetics (化妝品功效證據權重評估指導原則) in collaboration with the Cosmetics Technology Center (化妝品技術中心) of the Chinese Academy of Quality and Inspection & Testing (中國質量檢驗檢測科學研究院) under the SAMR, the primary regulator of the Chinese cosmetics market. For the first time globally, this initiative proposes to establish a scientific framework for evaluating the weight of evidence supporting cosmetic efficacy, according to the CIC report. We are also among the earliest skincare brands in China to conduct large-scale real-world studies, with broadest participant coverage and leading data transparency, according to the same source. As of September 30, 2025, we were the only brand to have conducted human-subject efficacy testing through internationally recognized testing and certification institutions (e.g., SGS) across the entire product portfolio among major domestic and international skincare brands in China.

The following diagram presents a selection of our major business achievements to date.



Source: the CIC report for industry related rankings

Notes:

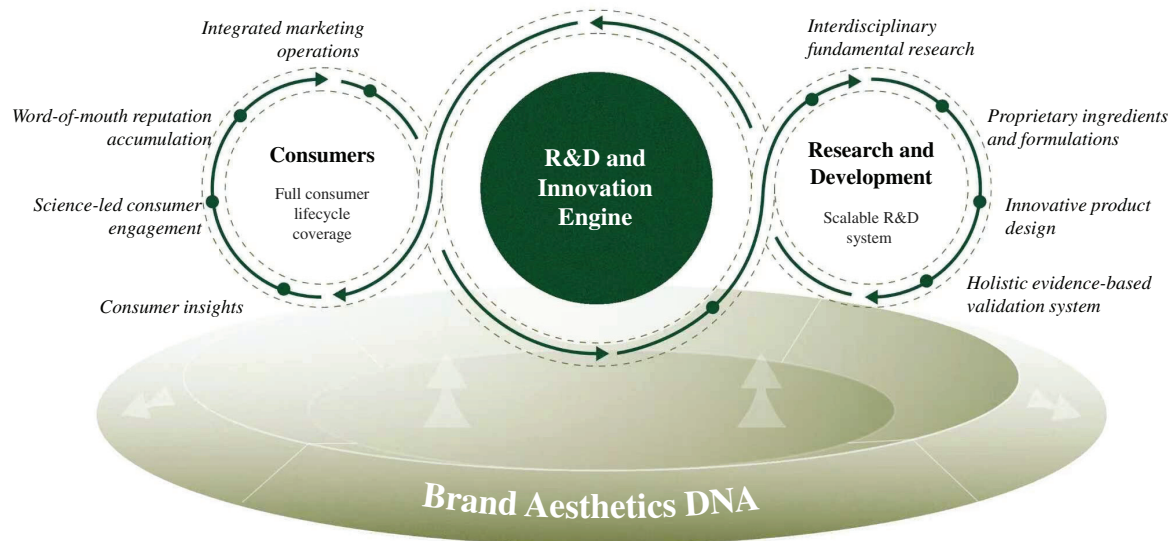
1. In terms of 2024 retail sales value of corrective skincare products in China
2. In terms of 2024 retail sales value of skincare products in China
3. SCI refers to Science Citation Index, a widely used citation indexing system in academic research. The calculation of the number of journal articles as first author includes published articles authored by both the relevant company/brand and their employees
4. As of December 31, 2025
5. In terms of sales volume
6. Human-subject efficacy testing was conducted via internationally recognized testing and certification institutions (e.g., SGS)
7. As of September 30, 2025
8. Refers to our α-arbutin revitalizing essence

SUMMARY

Our Business Model

We have constantly built on our key capabilities in interdisciplinary R&D and science-led consumer engagement, and, together with our distinctive aesthetic presentation, we have developed a brand proposition that integrates rational aesthetics with science-led skincare. Guided by a scientific ethos grounded in rigor and validation, we have built a scalable R&D system and engage with consumers throughout their lifecycle with science-based content.

The following paradigm is a simplified illustration of our business model.



Our Brand and Products

Since we launched our HBN brand in 2019, we have consistently focused on developing skincare products with scientifically validated efficacies. Before the NMPA significantly tightened the regulation of cosmetic efficacy claims in 2021, we had already cultivated capabilities across fundamental research, ingredients and formulations, efficacy validation and consumer engagement. With our distinctive brand identity and differentiated product positioning, we have promoted our philosophy of “real effective care” among consumers and become the brand of choice among consumers in China’s corrective skincare market according to the CIC survey, delivering unique quality-to-value proposition among domestic mid to high-end skincare brands. We ranked No. 4 among mid to high-end domestic skincare brands in China in terms of the retail sales value of skincare products in 2024, according to the CIC report. Our product portfolio spans both corrective and preventative skincare. Supported by our R&D system and innovation capabilities, we have developed multiple blockbuster products which have won consumer recognition since their launch. As of September 30, 2025, we had 36 SPUs under the HBN brand, through which we provide skincare products tailored to different skin types and suitable for all-day, multi-scenario use.

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Our Research and Development

We have built a scalable R&D system that spans interdisciplinary fundamental research, proprietary ingredients and formulations, innovative product design, and a holistic evidence-based validation system. Our fundamental research spans plant extraction, biosynthesis, microbial fermentation and chemical synthesis, which is backed by our R&D team, comprising 103 professionals as of September 30, 2025, with diverse expertise spanning dermatology, medicine, cell biology and synthetic biology, to enable interdisciplinary collaboration. We have built capabilities encompassing ingredient screening, testing and regulatory filing, empowering in-house ingredient development and formulation innovations. In addition, we have established a unique holistic evidence-based validation system that spans laboratory mechanism research, *in vitro* and *in vivo* validation, human clinical testing and real-world studies, which enables us to address long-standing industry pain points such as information opacity and difficulty in substantiating efficacy claims. For details, see “Business—Research and Development.”

Our Market Opportunity

As consumers worldwide place increasing emphasis on the professionalism of skincare and the credibility of efficacy claims, dermatological cosmetics have been rapidly emerging as a key growth engine and focal point within the global cosmetics industry. In particular, dermatological skincare brands, which are built on science-based ingredients and formulation development and supported by R&D teams with medical or clinical backgrounds, possess capabilities spanning from ingredient development to clinical validation. They are widely perceived to deliver a high level of professional rigor and earning consumer trust.

China’s skincare market is large in scale with robust growth potential. According to the CIC report, China’s skincare market reached RMB461.9 billion in terms of retail sales value in 2024, ranking as the second largest market globally. Specifically, China’s corrective skincare market reached RMB233.8 billion in terms of retail sales value in 2024 at a CAGR of 13.9% from 2019 to 2024, much higher than that of the overall skincare market at 6.8% over the same period, according to the same source. China’s skincare market has progressed from nascent awareness of ingredients to high demand for transparency and credibility of efficacy claims, coupled with more stringent regulations over efficacy claims, which must be backed by evidence. Against such backdrop, research capability, ingredient innovation, and efficacy validation have become increasingly important purchase considerations of Chinese consumers.

Our Financial and Operating Performance

We achieved strong financial performance and enhanced profitability during the Track Record Period. Our total revenue increased by 6.9% from RMB1,948.0 million in 2023 to RMB2,082.9 million in 2024, and by 10.2% from RMB1,372.9 million for the nine months ended September 30, 2024 to RMB1,513.5 million for the nine months ended September 30, 2025. Our net profit increased by 232.5% from RMB38.8 million in 2023 to RMB129.1 million in 2024, with net profit margins of 1.9% and 6.2% for the same year, respectively, and our net profit increased by 190.3% from RMB49.8 million for the nine months ended September 30, 2024 to RMB144.5 million for the nine months ended September 30, 2025. Our adjusted net profit (non-IFRS measure) for 2023, 2024 and the nine months ended September 30, 2025 was RMB92.3 million, RMB129.4 million and RMB145.3 million, respectively, representing adjusted net profit margin (non-IFRS measure) of 4.7%, 6.2% and 9.6% for the same periods, respectively.

SUMMARY

OUR COMPETITIVE STRENGTHS

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

- Leading dermatological skincare brand in China with a prominent position in the corrective skincare market;
- Scalable R&D system integrating consumer insights, fundamental research, ingredient development and scientific validation;
- Blockbuster products among a tiered product portfolio balancing sustainability and growth;
- Innovative consumer engagement emphasizing science and evidence to foster trust and support brand value growth;
- Rigorous quality controls and efficient supply chain to support product quality and safety; and
- Visionary management team with pursuits for innovation and adherence to disciplined execution.

See “Business—Our Competitive Strengths.”

OUR GROWTH STRATEGIES

We intend to pursue the following strategies to further grow our business:

- Deepen investment in R&D and reinforce our technological advantages;
- Drive growth through enhanced product portfolio to address a wider consumer base;
- Elevate brand recognition for efficacy and aesthetics and expand omni-channel outreach; and
- Scale manufacturing capacity, enhance digital operations and increase global market presence.

See “Business—Our Growth Strategies.”

RISK FACTORS

Our business and operations involve risks and uncertainties. Some of the major risk factors we face are related to: (1) our ability to timely and precisely anticipate and respond to changes in industry trends and consumer preferences; (2) our ability to develop, launch and promote products and effective implementation of advanced technology; (3) the reputation and market perception of our brand; (4) product quality; (5) challenges in maintaining our growth momentum and executing our growth strategies; (6) reliance on certain suppliers; and (7) reliance on third-party e-commerce platforms and social media platforms to market and sell our products. [REDACTED] should carefully consider all these factors and review the full “Risk Factors” section before making an [REDACTED] decision.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary of our financial information for the Track Record Period, and should be read together with the consolidated financial statements in the Accountants’ Report set out in Appendix I to this document, including the accompanying notes and the information set forth in “Financial Information.” Our consolidated financial information was prepared in accordance with the IFRS Accounting Standards.

SUMMARY

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statement of profit or loss with line items in absolute amount and as a percentage of our revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)				(Unaudited)		(Unaudited)	
Revenue	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0
Cost of sales	(455,030)	(23.4)	(553,192)	(26.6)	(366,229)	(26.7)	(374,425)	(24.7)
Gross profit	1,492,949	76.6	1,529,729	73.4	1,006,695	73.3	1,139,075	75.3
Profit before tax	60,155	3.0	145,418	7.0	58,347	4.1	165,816	11.0
Income tax expense	(21,320)	(1.1)	(16,278)	(0.8)	(8,566)	(0.6)	(21,284)	(1.4)
Profit for the year/period	38,835	1.9	129,140	6.2	49,781	3.5	144,532	9.6

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted net profit (non-IFRS measure) as an additional financial metric. This measure is not required by, nor presented in accordance with, IFRS Accounting Standards. We believe that such non-IFRS measure facilitates comparisons of operating performance across periods and between companies by eliminating the potential impact of certain items, thereby providing useful information to investors and others for understanding and evaluating our consolidated results of operations in the same way they assist our management. However, our presentation of adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and they should not be considered in isolation from, or as a substitute for, analysis of our results of operations or financial condition as reported under IFRS Accounting Standards. We define adjusted net profit (non-IFRS measure) as profit for the year/period adjusted for [REDACTED] and share-based payment expenses, and adjusted net profit margin (non-IFRS measure) as adjusted net profit (non-IFRS measure) for the year/period divided by revenue for the year/period and multiplied by 100%. [REDACTED] are incurred in connection with the [REDACTED] and the [REDACTED] and non-recurring. The share-based payment expenses are non-cash charges resulting from the granting of incentives and rewards to eligible participants who contribute to the success of our operations. The following table provides a reconciliation from adjusted net profit (non-IFRS measure) to profit for the year/period as presented in accordance with IFRS Accounting Standards.

	Year ended December 31,		Nine months ended September 30,	
	2023	2024	2024	2025
	(RMB in thousands, except for percentages)			
	(Unaudited)		(Unaudited)	
Profit for the year/period	38,835	129,140	49,781	144,532
Add:				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share-based payment expenses	53,482	304	201	274
Adjusted net profit for the year/period (non-IFRS measure)	92,317	129,444	49,982	145,278
Adjusted net profit margin for the year/period (non-IFRS measure)	4.7%	6.2%	3.6%	9.6%

SUMMARY

Revenue

During the Track Record Period, we primarily generated revenue from the sales of skincare products. The following table sets forth a breakdown of our revenue by efficacy type, in absolute amount and as a percentage of our total revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)							
					(Unaudited)		(Unaudited)	
Corrective skincare products . .	1,593,714	81.8	1,630,755	78.3	1,090,140	79.4	1,189,834	78.6
Preventative skincare products .	354,265	18.2	452,166	21.7	282,784	20.6	323,666	21.4
Total	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0

Gross profit and gross profit margin

The following table sets forth our gross profit and our gross profit margin by efficacy type for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin	
	Gross profit	(%)	Gross profit	(%)	Gross profit	(%)	Gross profit	(%)
	(RMB in thousands, except for percentages)							
					(Unaudited)		(Unaudited)	
Corrective skincare products . .	1,216,870	76.4	1,179,963	72.4	789,297	72.4	886,086	74.5
Preventative skincare products .	276,079	77.9	349,766	77.4	217,398	76.9	252,989	78.2
Total	1,492,949	76.6	1,529,729	73.4	1,006,695	73.3	1,139,075	75.3

Summary of Consolidated Statement of Financial Positions

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30, 2025
	(RMB in thousands)		
			(Unaudited)
Total non-current assets	44,380	93,555	86,203
Total current assets	405,391	577,464	665,693
Total assets	449,771	671,019	751,896
Total current liabilities	165,917	264,997	241,968
Total non-current liabilities	9,792	30,842	27,505
Total liabilities	175,709	295,839	269,473
Total equity	274,062	375,180	482,423

See “Financial Information—Discussion of Selected Items from the Consolidated Statement of Financial Position.”

SUMMARY

Summary of Consolidated Statements of Cash Flows

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

	Year ended December 31,		Nine months ended September 30,	
	2023	2024	2024	2025
	(RMB in thousands)		(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	16,436	156,213	(3,688)	64,650
Net cash (used in)/generated from investing activities	(1,270)	(97,763)	55,950	(40,534)
Net cash used in financing activities	(4,715)	(36,137)	(33,189)	(43,465)
Net increase/(decrease) in cash and cash equivalents	10,451	22,313	19,073	(19,349)
Cash and cash equivalents at the beginning of the year/period	78,049	88,500	88,500	110,805
Effect of foreign exchange rate changes, net	—	(8)	(20)	(22)
Cash and cash equivalents at the end of the year/period	88,500	110,805	107,553	91,434

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/for year ended December 31,		As of/for nine months ended September 30,
	2023	2024	2025
			(Unaudited)
Gross profit margin	76.6%	73.4%	75.3%
Net profit margin	1.9%	6.2%	9.6%
Adjusted net profit margin (non-IFRS measure) ⁽¹⁾	4.7%	6.2%	9.6%
Current ratio ⁽²⁾ (times)	2.4	2.2	2.8
Quick ratio ⁽³⁾ (times)	1.6	1.5	2.0
Return on total assets ⁽⁴⁾	9.1%	23.0%	N/M
Return on total equity ⁽⁵⁾	17.0%	39.8%	N/M

(1) Calculated by dividing adjusted net profit (non-IFRS measure) by total revenue for the relevant year/period.

(2) Calculated by dividing total current assets by total current liabilities as of the end of the year/period.

(3) Calculated by dividing total current assets (excluding inventories) by total current liabilities as of the end of the year/period.

(4) Calculated by dividing net profit of the respective year by arithmetic mean of the opening and closing balances of total assets.

(5) Calculated by dividing net profit of the respective year by arithmetic mean of the opening and closing balances of total equity.

SUMMARY

OUR SALES CHANNELS

We have developed efficient and scalable sales channels, which currently primarily focus on online channels that enable us to achieve massive and direct consumer coverage and rapidly expand our operations. We also strategically broaden our outreach through certain offline channels. Our online channels encompass (1) online direct sales, (2) sales to online retailers and (3) sales to online distributors. Our offline channels primarily include (1) sales to offline retailers and (2) sales to offline distributors. See “Business—Our Sales Channels” for details. The following table sets out a breakdown of our revenue by sales channel in absolute amount and as a percentage of our total revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)				(Unaudited)		(Unaudited)	
Online channels								
Online direct sales	1,734,761	89.1	1,809,408	86.9	1,187,679	86.5	1,271,829	84.0
Sales to online retailers . .	140,879	7.2	188,454	9.0	127,439	9.3	138,695	9.2
Sales to online distributors	44,210	2.3	36,541	1.8	27,327	2.0	28,352	1.9
Subtotal	1,919,850	98.6	2,034,403	97.7	1,342,445	97.8	1,438,876	95.1
Offline channels								
Sales to offline retailers . .	25,967	1.3	35,362	1.7	23,885	1.7	35,407	2.3
Sales to offline distributors	2,162	0.1	13,156	0.6	6,594	0.5	39,217	2.6
Subtotal	28,129	1.4	48,518	2.3	30,479	2.2	74,624	4.9
Total	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily consisted of consumers and business customers, which represented online and offline retailers and distributors. Revenue from our five largest customers for each year/period during the Track Record Period amounted to RMB171.0 million, RMB217.0 million and RMB161.3 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 8.8%, 10.4% and 10.7% of our total revenue for the same year/period, respectively. Revenue from our largest customer for each year/period during the Track Record Period amounted to RMB64.2 million, RMB109.9 million and RMB83.0 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 3.3%, 5.3% and 5.5% of our total revenue for the same year/period, respectively. See “Business—Our Customers” for details.

Our suppliers primarily comprise (1) platform service providers; (2) promotion service providers; and (3) contract manufacturers. Purchases from our five largest suppliers for each year/period during the Track Record Period amounted to RMB821.5 million, RMB890.4 million and RMB558.6 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 48.4%, 49.1% and 46.0% of our total purchases for the same year/period, respectively. Purchases from our largest supplier for each year/period during the Track Record Period amounted to RMB320.1 million, RMB296.0 million and RMB206.0 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 18.8%, 16.3% and 17.0% of our total purchases for the same year/period, respectively. See “Business—Our Suppliers” for details.

SUMMARY

PRE-[REDACTED] INVESTMENTS

Our pre-[REDACTED] investors include Meitu Networks, Yingxin Investment, Mr. Peng Shengwen and Ms. Dai Lu. See “History, Development and Corporate Structure—Pre-[REDACTED] Investments” for details of the principal terms of our pre-[REDACTED] investments and the identity and background of our pre-[REDACTED] Investors.

THE GROUP OF OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Yao and Ms. Wang, the spouse of Mr. Yao, collectively controlled 76.19% of the voting power at the general meeting of our Company, comprising (1) 35.08% beneficially owned by Mr. Yao directly, (2) 13.60% beneficially owned by Ms. Wang, (3) 8.00% beneficially owned Ningbo Meize, where Ningbo Hujia acts as the general partner and Ningbo Hujia is ultimately controlled by Mr. Yao, and (4) approximately 19.51% vested to Mr. Yao by the Proxy Shareholders through the Voting Proxy Arrangement. Upon the [REDACTED], assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme, Mr. Yao and Ms. Wang, the spouse of Mr. Yao, collectively controlled [REDACTED]% of the voting power at the general meeting of our Company. Therefore, Mr. Yao and Ms. Wang, together with Ningbo Meize and Ningbo Hujia, were the group of our Controlling Shareholders as of the Latest Practicable Date and will continue to be the group of our Controlling Shareholders upon the [REDACTED]. For further details, see “Relationship with our Controlling Shareholders.”

[REDACTED] EXPENSES

We recorded [REDACTED] expenses in connection with the [REDACTED] and [REDACTED] of [REDACTED], [REDACTED] and RMB[REDACTED] in 2023, 2024 and the nine months ended September 30, 2025, respectively. We expect to incur a total of approximately RMB[REDACTED] million (HK\$[REDACTED] million) of [REDACTED] in connection with the [REDACTED], representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED], and assuming that the [REDACTED] is not exercised), including (1) [REDACTED], SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [REDACTED] of approximately RMB[REDACTED] million (HK\$[REDACTED] million), and (2) non-[REDACTED] related expenses of approximately RMB[REDACTED] million (HK\$[REDACTED] million), which consist of (i) fees and expenses of legal advisors and accountants of approximately RMB[REDACTED] million (HK\$[REDACTED] million), and (ii) sponsor fee and other fees and expenses of approximately RMB[REDACTED] million (HK\$[REDACTED] million). Approximately RMB[REDACTED] million (HK\$[REDACTED] million) is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] million (HK\$[REDACTED] million) is expected to be deducted from equity in total. The [REDACTED] expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

SUMMARY

[REDACTED] STATISTICS

All statistics in this table are based on the assumption that (1) the [REDACTED] has been completed and [REDACTED] are issued pursuant to the [REDACTED]; (2) [REDACTED] Shares are issued and outstanding following the Share Subdivision, [REDACTED] and Conversion of Unlisted Shares into H Shares; (3) the [REDACTED] is not exercised; and (4) no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme.

	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]
	HK\$[REDACTED]	HK\$[REDACTED]
Market [REDACTED] of our Shares	million	million
Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of September 30, 2025 per Share ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]

(1) The unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share as of September 30, 2025 is calculated after making the adjustments referred to in Appendix II.

DIVIDEND

In 2023, 2024 and the nine months ended September 30, 2025, our Company declared cash dividends of nil, RMB34.2 million and RMB37.5 million, respectively, all of which had been paid in full. Subsequent to the Track Record Period, in January 2026, our Shareholders approved the declaration of cash dividends of RMB100.0 million, of which RMB56.0 million had been paid as of the Latest Practicable Date. We expect to pay the remaining portion of such cash dividends before the [REDACTED]. According to our Articles of Association, which shall become effective on the [REDACTED] Date, we will not have a formal dividend policy that provides for any pre-determined dividend payout ratio, and we may pay dividend in cash, shares or a combination of cash and shares under certain conditions.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that the net [REDACTED] of the [REDACTED], after deducting the estimated [REDACTED] commissions and other fees and expenses payable by us in connection with the [REDACTED], will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative range of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]), and that the [REDACTED] is not exercised.

We currently intend to use the net [REDACTED] from the [REDACTED] for the purposes and in the amounts as set out below:

- (1) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to invest in our R&D and product innovations;
- (2) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to strengthen our manufacturing capabilities, including the establishment of new manufacturing facilities and upgrading of our existing manufacturing facility;

SUMMARY

- (3) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to elevate our office environment and enhance our digitalized operations capabilities;
- (4) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to invest in branding and marketing initiatives to strengthen content-driven brand building, articulate our brand values and enhance our brand visibility and consumer awareness;
- (5) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to deepen and extend our omni-channel sales network;
- (6) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to pursue potential investments, acquisitions, strategic collaborations and other alliances; and
- (7) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used for working capital and other general corporate purposes.

See “Future Plans and Use of [REDACTED]” for further information relating to our future plans and use of [REDACTED] from the [REDACTED], including the adjustment on the allocation of the [REDACTED] in the event that the [REDACTED] is fixed at a higher or lower level compared to the midpoint of the estimated [REDACTED] range.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had submitted applications to the NMPA for the filing of two new cosmetic ingredients.

On November 27, 2025, our Company was converted into a joint stock limited company.

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since September 30, 2025 and there is no event since September 30, 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountants’ Report in Appendix I to this document.

DEFINITIONS

In this document unless the context otherwise requires the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary” in this document.

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“affiliate”	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
“Articles” or “Articles of Association”	the articles of association of our Company, as amended, which shall be effective on the [REDACTED] Date, a summary of which is set out in Appendix V to this document
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate

[REDACTED]

“China” or “PRC” or “Chinese mainland”	the People’s Republic of China for the purpose of this document and for geographical reference only, except where the context requires, references in this document to “China”, “Mainland China” and the “PRC” do not apply to Hong Kong SAR, Macau SAR and Taiwan Region
“CIC”	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
“CIC report”	a commissioned industry report prepared by CIC

DEFINITIONS

“CIC survey”	a consumer survey in China’s skincare industry conducted by CIC in December 2025, involving 1,100 skincare consumers randomly selected from cities of different tiers across China
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) 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
“Company”, “our Company” or “the Company”	Shenzhen HBN Technology (Group) Company Limited (深圳護家科技(集團)股份有限公司), a limited liability company incorporated in the PRC on September 28, 2014 and converted to a joint stock company on November 27, 2025
“Company Law” or “PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Yao, Ms. Wang, Ningbo Meize and Ningbo Hujia
“Conversion of Unlisted Shares into H shares”	the conversion of [REDACTED] Unlisted Shares into H Shares (immediately following the Share Subdivision) on a one-for-one basis upon the completion of [REDACTED], as described in further detail in “Share Capital”
“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
“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

[REDACTED]

DEFINITIONS

“Group”, “our Group”, “the Group”, “we”, or “us”	the Company and its subsidiaries from time to time or, where the context so 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
“Guide”	the Guide for New Listing Applicants published by the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Guidelines on Articles”	Guidelines for Articles of Association of Listed Companies (上市公司章程指引), as amended, supplemented or otherwise modified from time to time
“Hangzhou Gangzhongyan”	Hangzhou Gangzhongyan Cosmetics Co., Ltd. (杭州港中顏化妝品有限公司), a limited liability company incorporated in the PRC on August 31, 2023, our wholly-owned subsidiary
“Hangzhou Luokexin”	Hangzhou Luokexin Biotechnology Co., Ltd. (杭州洛可馨生物科技有限公司), a limited liability company incorporated in the PRC on October 10, 2023, our wholly-owned subsidiary
“H Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB0.20 each (taking into account the Share Subdivision), which is/are to be [REDACTED] for and [REDACTED] in HK dollars and to be [REDACTED] on the Stock Exchange

[REDACTED]

“HK HONEYMATE”	HK HONEYMATE BIOTECH (INT’L) LIMITED (香港美則生物科技(國際)有限公司), a limited liability company incorporated in Hong Kong on August 23, 2023, our wholly-owned subsidiary

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited

[REDACTED]

DEFINITIONS

“Hujia Cosmetics”	Shenzhen Hujia Cosmetics Co., Ltd. (深圳市護家化妝品有限公司), a limited liability company incorporated in the PRC on September 18, 2025, our wholly-owned subsidiary
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules

[REDACTED]

“Joint Sponsors”	the joint sponsors of the [REDACTED] of the H Shares on the Hong Kong Stock Exchange as named in “Directors and Parties Involved in the [REDACTED]” in this document
“Latest Practicable Date”	January 19, 2026, being the latest practicable date for ascertaining certain information in this document before its publication

DEFINITIONS

[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 operates in parallel with the GEM of the Stock Exchange
“Meitu Networks”	Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有 限公司), a limited liability company incorporated in the PRC on June 18, 2003, one of our Shareholders
“Meize Biotechnology”	Shenzhen Meize Biotechnology Co., Ltd. (深圳市美則生物科技有 限公司), a limited liability company incorporated in the PRC on November 11, 2020, our wholly-owned subsidiary
“Meize Testing”	Shenzhen Meize Testing Technology Co., Ltd. (深圳市美則檢測技 術有限公司), a limited liability company incorporated in the PRC on October 31, 2024, our wholly-owned subsidiary
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華 人民共和國工業和信息化部)
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Yao”	Mr. Yao Zhenan (姚哲男), our executive Director, chairman of our Board, chief executive officer and one of our Controlling Shareholders
“Ms. Wang”	Ms. Wang Yang (汪洋), our executive Director, general manager, president and one of our Controlling Shareholders
“NDRC”	the National Development and Reform Commission of the PRC (中 華人民共和國國家發展和改革委員會)
“Ningbo Hujia”	Ningbo Hujia Enterprise Management Co., Ltd. (寧波市護家企業 管理有限責任公司), a limited liability company incorporated in the PRC on March 13, 2023, one of our Controlling Shareholders

DEFINITIONS

“Ningbo Meize”	Ningbo Meize Enterprise Management Partnership Enterprise (Limited Partnership) (寧波市美則企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 16, 2023, one of our Controlling Shareholders
“NMPA”	the National Medical Products Administration (國家藥品監督管理局), formerly known as China Food and Drug Administration (“CFDA”) (國家食品藥品監督管理總局) or State Food and Drug Administration (“SFDA”) (國家食品藥品監督管理局) or China’s Drug Administration (“CDA”) (國家藥品監督管理局)
“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 our Board

[REDACTED]

“Overseas Listing Trial Measures”	The Trial Measures for the Administration on 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) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC GAAP”	Generally accepted accounting principles of the PRC
“PRC Legal Advisor”	Jingtian & Gongcheng, being the legal advisor to the Company as to the PRC laws

DEFINITIONS

“Pre-[REDACTED] Share Incentive Scheme”	a pre-[REDACTED] share incentive scheme approved at first extraordinary general meeting of the Company held on January 15, 2026
	[REDACTED]
“Proxy Shareholders”	refers to Yingxin Investment, Mr. Peng Shengwen and Ms. Dai Lu, who each entered into a voting proxy agreement with Mr. Yao on January 17, 2026
“QIBs”	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“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 State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation (國家稅務總局)
“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
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB0.20 each (taking into account the Share Subdivision), including both Unlisted Shares and H Shares
“Share Subdivision”	the subdivision of the Shares by our Company to subdivide its Share from one Share of RMB1.0 each into five Shares of RMB0.20 each, which will become effective immediately prior to the [REDACTED]
“Shareholder(s)”	holder(s) of our Share(s)

DEFINITIONS

“Shenzhen Gangzhongyan” Shenzhen Gangzhongyan Biotechnology Co., Ltd. (深圳市港中顏生物科技有限公司), a limited liability company incorporated in the PRC on March 5, 2024, our wholly-owned subsidiary

[REDACTED]

“State Council” the State Council of the PRC (中華人民共和國國務院)

“Stock Exchange” The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited

“subsidiary(ies)” has the meaning ascribed thereto under the Listing Rules

“Takeovers Code” the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

“Track Record Period” the period consisting of the two years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025

[REDACTED]

“United States” or the “U.S.” the United States of America, its territories and possessions, any State of the United States, and the District of Columbia

“Unlisted Share(s)” ordinary share(s) issued by our Company, with a nominal value of RMB0.20 each (taking into account the Share Subdivision), which is/are not listed or traded on any stock exchange

“US\$” or “US dollars” United States dollars, the lawful currency of the United States

“VAT” value-added tax

“Voting Proxy Arrangement” the voting proxy agreements entered into by each of Yingxin Investment, Mr. Peng Shengwen and Ms. Dai Lu with Mr. Yao on January 17, 2026, the details of which are set out in “History, Development and Corporate Structure” section

“Yingxin Investment” Shenzhen Yingxin Phase IV Capital Investment Partnership Enterprise (Limited Partnership) (深圳盈信四期資本投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 6, 2016, one of our Shareholders

“%” Percent

DEFINITIONS

In this document, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction,” “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or entities have been included in this document in both the Chinese and English languages; the English versions are for identification purposes only and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY

This glossary of technical terms contains explanations of certain technical terms used in this document in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“α-arbutin”	A safe and effective derivative of hydroquinone synthesized from natural sources, inhibits tyrosinase activity to regulate melanin production and contributes to a brighter and more even complexion.
“α-arbutin revitalizing essence”	α-arbutin revitalizing essence lotion (α-熊果苷煥顏精萃水), previously also known as α-arbutin clarifying essence lotion (α-熊果素瑩亮精萃水) and α-arbutin moisturizing essence lotion (α-熊果苷瑩亮精萃水).
“Actcoco [®] Golden Microcapsule technology”	Our proprietary encapsulation system that protects and delivers active ingredients (such as retinol derivatives) within golden-hued lipid-based microcapsules, which enables controlled, sustained release for enhanced skin penetration and stability.
“Acetyl tripeptide-30 citrulline”	A synthetic peptide commonly used in skincare formulations for its antioxidant and anti-glycation properties, aimed at protecting skin from oxidative stress and signs of aging.
“Average repurchase rate”	Our average repurchase rate of a given period is calculated as the monthly average repurchase rate of our customers. The repurchase rate of a given month is calculated as the percentage of our customers that also purchased from us in the 365-day period preceding that month.
“Bakuchiol”	An ingredient that stimulates collagen production like retinol but with improved gentleness.
“Bakuchiol ferulate”	Our proprietary ingredient that combines bakuchiol with ferulate acid.
“Caffeine”	A substance found in coffee beans, provides antioxidant effect, promotes skin revitalization and contributes to depuffing.
“CAQIT”	Chinese Academy of Quality and Inspection & Testing (中國質量檢驗檢測科學研究院).
“Ceramide”	A type of lipid molecule that helps maintain the skin’s barrier function by locking in moisture, preventing water loss and protecting the skin from external environmental irritants.
“CNAS”	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會).

GLOSSARY

“Coffee ferment filtrate”	Lactobacillus/coffee arabica seed ferment filtrate, the final product of our proprietary fermentation process of selected coffee beans.
“Complex-ATRA [®] ”	Our proprietary retinol complex, which is a combination of retinol, phytol and two retinol derivatives.
“Coreopsis tinctoria flower extract/coreopsis extract”	A botanical skincare ingredient derived from coreopsis tinctoria flowers, valued for its soothing, repairing, and anti-photoaging properties.
“Ferulic acid”	An ingredient that works synergistically with retinol and bakuchiol to boost their efficacies.
“Fibronectin”	A type of protein known as a glycoprotein (i.e., protein and carbohydrate) that is naturally found in the skin.
“GLP”	Good Laboratory Practices.
“HEPES”	A mild acid which is generally used as a buffering agent to maintain acidity, also used as permeation enhancer in cosmetics.
“IF”	Impact factor, a type of journal ranking. Journals with higher impact factor values are considered more prestigious or important within their field.
“IFSCC”	International Federation of Societies of Cosmetics Chemists, one of the highest-level academic organizations in the global cosmetics industry.
“KOC”	Key opinion consumer.
“KOL”	Key opinion leader.
“MCN agencies”	Multi-channel network agencies, organizations that work with content platforms and content makers to offer assistance in audience retention, content production, resource management, monetization and other services.
“Morning C Night A”	A complementary skincare routine that combines the daytime brightening of the vitamin C-based skincare products with the nighttime anti-wrinkle effects of the retinol-based skincare products, along with other specialized corrective skincare products formulated to maximize results through advanced active ingredients.
“MRI”	Magnetic resonance imaging, a powerful, non-invasive medical imaging technique that uses magnetic fields and radio waves to produce detailed pictures of the inside of the body, especially soft tissues.

GLOSSARY

“Panthenol”	A clinically recognized humectant that enhances moisture retention and supports skin regeneration.
“Peptides”	Molecules composed of multiple amino acids. There are many forms of peptides providing benefits ranging from barrier repairing to wrinkle reduction.
“Phytol”	A plant-derived compound that typically acts as a skin conditioner, fragrance, and precursor to vitamins E and K, usually as a versatile ingredient for hydration and smoothing.
“Pro-Xylane”	A patented synthetic active ingredient derived from xylose (a wood sugar), which designed to mimic and enhance the function of glycosaminoglycans in the skin, thereby improving skin hydration, elasticity, and firmness by stimulating the synthesis of key components of the extracellular matrix.
“R&D”	Research and development.
“Repeat customers”	Repeat customers refer to customers that purchased from us at least twice during the Track Record Period.
“Retail sales value”	The total actual monetary value paid by end consumers for purchasing products.
“Retinol”	A derivative of vitamin A, which promotes epidermal renewal and stimulates collagen synthesis, helping to visibly reduce wrinkles and improve skin firmness.
“Silymarin”	A standardized extract from milk thistle seeds, composed primarily of flavonolignans, and is used for its antioxidant properties.
“SCI”	Science Citation Index, a widely used citation indexing system in academic research.
“SGS”	Société Générale de Surveillance, an internationally recognized testing, inspection, and certification company headquartered in Switzerland.
“SPUs”	Standard product units.
“T/CITS 0005—2024”	The Specification for Laboratory Quality Control—Cosmetic efficacy evaluation.
“Transdermal”	A route of administration wherein active ingredients are delivered across the skin for systemic distribution.
“UV”	Ultraviolet.

FORWARD-LOOKING STATEMENTS

We have included in this document forward looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward looking statements.

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “seek,” “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in locations where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the actions of and developments affecting our major customers and suppliers; and

FORWARD-LOOKING STATEMENTS

- certain statements in the sections headed “Risk Factors,” “Industry Overview,” “Regulatory Overview,” “Business,” “Financial Information,” “Relationship with Our Controlling Shareholders” and “Future Plans and Use of [REDACTED]” with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

RISK FACTORS

An [REDACTED] in our H Shares may involve significant risks. Potential [REDACTED] should read and consider carefully all the information set out in this document, and, in particular, should evaluate the following risks and uncertainties before deciding to make any [REDACTED] in our H Shares. Any of the risks and uncertainties listed below could have a material adverse effect on our business, results of operations, financial condition or on the [REDACTED] of our H Shares, and could cause you to lose all or part of your [REDACTED]. The risks and uncertainties identified below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations.

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.”

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success is subject to the continued popularity of our products among consumers. If we cannot timely and precisely anticipate and respond to changes in industry trends and consumer preferences, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We operate in the skincare industry, which is highly driven by consumer demand. Our business success and financial performance depend largely on our ability to anticipate, interpret and adapt to changing preferences and trends, and to continually deliver products that appeal to consumers. In particular, the skincare industry has been evolving in recent years, driven by changes in consumer demand, improvements in supply-side technological capabilities and evolution of sales channels and marketing methods, along with the rise of dermatological skincare brands like us and the heightened popularity of corrective skincare products. We have been able to develop, commercialize and promote the wide acceptance of a broad range of corrective and preventative skincare products leveraging our ability to understand and address the changing consumer preferences and accurately, timely capture the industry trend and commercialize our R&D results. While we expect to continue to devote resources to understanding and capturing consumer preferences and staying ahead of industry trends and technological developments, we cannot assure you that such initiatives will always achieve satisfactory results. If we fail to anticipate and respond appropriately to changes in preferences and development in trends, or if new products introduced by our competitors are more beneficial, effective, innovative or otherwise more appealing to consumers, the demand for our products may decline, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

The consumer preferences and industry trends in the market that we operate in are constantly evolving and often difficult to precisely predict. For instance, the emergence of new products, brands, technologies and ingredients tends to broaden the options for consumers, thereby causing the consumer preferences to shift. In addition, consumer perceptions are increasingly shaped by influencers, online reviews and viral trends, which are usually beyond our control. Shifts in consumer sentiment or the rise of a competing product can also lead to changes in the purchase decisions of our products. Furthermore, due to the subjective nature of consumer perception, we are generally susceptible to consumer dissatisfaction with our products, or even consumer complaints. Negative feedback from consumers who believe that our products have not performed as expected or meet their standards or preferences may affect the demand of our products. Moreover, the development of regulations and standards concerning our product and industry may also shape consumer preferences and market conditions, thereby affecting our business. If we cannot appropriately address the uncertainties associated with these consumer and industry-related factors, our business, results of operations, financial condition and prospects may be materially and adversely affected.

RISK FACTORS

Our success depends on our ability to develop, launch and promote our products and effectively implement advanced technology. Failure to do so may compromise our competitive edge and ability to attract or retain consumers, which could materially and adversely affect our business, results of operations, financial condition and prospects.

Our ability to maintain our competitive position, attract consumers to purchase our products and drive future growth depends significantly on our capability to continuously develop, launch and promote product offerings and explore and implement advanced technology. This enables us to not only adapt to evolving consumer preferences, but also influence market and industry trends by translating innovative technologies into products that precisely address market demand. We have consistently devoted significant resources to exploring new proprietary ingredients and formulations and innovative technologies, such as Actcocoon® Golden Microcapsule technology and *Speeder* permeation enhancer, upon which we have built our competitive edges. For details, see “Business—Research and Development—Our R&D Approach—In-house R&D.” Leveraging these technologies, we have launched a number of products with leading market performance, such as retinol firming night cream and α -arbutin revitalizing essence. We expect to continue with our endeavors in these aspects.

The development and upgrades of products, the diversification and optimization of product portfolio and the research and application of advanced technologies involve inherent risks and uncertainties. We cannot assure you that we could successfully launch new products or implement advanced technologies into our products as anticipated, that the consumers will be receptive to our new products and technologies, or that the products will generate commercialization results and profitability as we desire. The success of new products depends on multiple factors which may be beyond our control, including consumer acceptance, industry trends, market demand, competition, regulatory approvals and supply chain efficiency. If our new or upgraded products are unsuccessful or fail to attract enough consumers to achieve desired profitability, our business, results of operations, financial condition and prospects could be adversely affected.

We operate in a highly competitive and rapidly evolving market, and our business success, financial performance and prospects depend on our ability to compete effectively.

We currently primarily operate in China’s skincare industry. We compete with a variety of domestic and international competitors, including well-established beauty groups with long track record and comprehensive product portfolio in the skincare industry, and smaller enterprises and brands that offer products similar or comparable to ours. For details of our competitive landscape, see “Industry Overview—Competitive Landscape.” In addition, new entrants may join the market from time to time, further intensifying the competition and changing the market landscape.

Some of our competitors may possess significant competitive advantages and more resources over us, such as longer operating history and industry accumulations, stronger brand presence, more prominent market position, larger and more diverse consumer bases, broader sales network or distribution channels, stronger and more effective marketing strategies, more robust supply chain capabilities, and greater financial, human capital and other corporate resources. In addition, they may have stronger R&D capabilities or have access to or be able to develop more advanced technologies. These advantages could allow them to respond more effectively to evolving technologies and changing consumer preferences, and more rapidly commercialize and promote their products, which may reduce our market presence, harm our competitive advantages, cause us to lose market share to our competitors, and, as a result, materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

Our business and prospects depend on the reputation and market perception of our brand. Any negative perception concerning our brand may harm our reputation and materially and adversely affect our business.

As consumers closely relate our products to our brand, our business and prospects depend heavily on the market perception and reputation of our brand. During the Track Record Period, we operated our business and generated all of our revenue from our brand of HBN. The continued success of our brand depends on our ability to maintain and enhance brand reputation and visibility. Any unfavorable consumer reviews, negative publicity or adverse social media coverage could damage brand equity, leading to a decline in our sales volume and market share. Moreover, due to our reliance on online sales channels, any negative perceptions spread particularly rapidly, even across platforms. Specifically, our brand reputation and image might be tarnished by any adverse publicity concerning us, our founders, Directors, management and employees and business partners, such as e-commerce and social media platforms, suppliers, KOLs and KOCs and the celebrities that we engage or otherwise collaborate with. In addition, adverse publicity about our industry or our peers, whether directly associated with us, may influence general consumer perception towards industry participants, further eroding confidence in our brand. Moreover, if we, through our brand, fail to deliver a consistent and high-quality consumer experience, or if competitors launch or promote other brands with superior positioning than us, the visibility, popularity and reputation of our brand may also decline.

Specifically, the visibility and popularity of our brand depend on the effectiveness of our branding and marketing strategies. We have implemented a systematic approach to brand building and marketing operations. Our marketing activities raise brand awareness through broad-reach promotional initiatives such as large-scale marketing campaigns, engage target consumers through social-media marketing and KOL placements, and drive conversion through social media and e-commerce platforms such as *Douyin*, *rednote*, *Tmall* and *JD.com*. If we fail to continually design and execute impactful branding and marketing strategies or allocate relevant resources efficiently, it may affect our brand recognition and customer loyalty. Ineffective brand operations or missteps in marketing campaigns could result in diminished market presence, reduced sales, and adverse effects on our business and financial performance.

As we currently operate under a single brand, we are exposed to heightened vulnerability in connection with our dependence on such brand. If consumer preferences shift away from such brand, or if the brand experiences reputational issues, product-related adverse events, increased competition or other negative impacts, our overall business and financial performance may be disproportionately and adversely affected as a result of our reliance. We may launch new brands in the future as our business further expands and our product lines extend. However, we cannot assure you that we could successfully launch new brands as anticipated, or that the consumers will be receptive to our new brands. The launch of new brands bears inherent risks, such as those relating to incorrect judgments regarding brand positioning, consumer preferences, market demand, new brand image and pricing. Even if we are able to launch new brands, it may take time for new products and brands to gain market acceptance, thereby causing uncertainties to our prospects.

If our R&D efforts do not generate expected outcomes, or if we fail to attract, recruit and retain R&D talents, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We consistently prioritize the development of technologies applied in our products to enhance our product functions, effectiveness and quality and drive our overall competitiveness. The sustainability of our business success and our long-term growth potentials depend in part on the accomplishments of our R&D efforts, in particular in consumer insights, fundamental research and holistic evidence-based validation system. In addition, as we have established a unique holistic evidence-based validation system, the successful and timely implementation of these procedures is crucial to evaluating the outcome and

RISK FACTORS

effectiveness of our R&D efforts and supporting the key benefits and competitive advantages of our products. There is no guarantee that our R&D efforts will progress as planned and/or in a timely manner, or yield satisfactory results, including achieving desired results in the function verification process. Moreover, even if we are able to bring our R&D efforts to market, we cannot assure you that they will attain market acceptance as we anticipate. Delays or failures in our R&D process, uncertainties inherent to scientific validation, difficulties in completing regulatory filings and obtaining regulatory approvals, or changes in consumer demand during the development process may adversely affect our product pipeline, innovation capacity and future revenue growth. Furthermore, we have established close collaborations with a number of academic and research institutions, enabling us to integrate frontier scientific advances into our products. However, we cannot assure you that these collaborations will yield meaningful findings, commercially viable products or other satisfactory outcomes that justify our investments and efforts. If our future R&D efforts fail to generate the expected outcomes, our products may lose their competitive advantages over time, and our business, results of operations and financial condition could be materially and adversely affected.

The success of our R&D efforts largely depends on the expertise and dedication of our R&D team. As of September 30, 2025, our R&D team comprised 103 personnel. In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our research and development expenses were RMB66.0 million, RMB57.8 million, RMB40.1 million and RMB40.0 million, respectively. However, given the demand and competition for qualified R&D personnel with the preferred experience and skillsets in the skincare industry, especially in the segment that we operate in, we cannot guarantee our ability to consistently attract, recruit and retain such R&D personnel. Such failure may hinder our capability to continually conduct effective research, develop advanced active ingredients and new technologies and techniques, upgrade, expand and optimize product offerings, and cultivate new brands, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Product quality is critical to our business. Any quality issues related to our products may result in a loss of customers and subject us to product liability claims, recalls or regulatory actions.

Our reputation and consumer confidence heavily rely on the consistent high quality of our products. Any compromise in product quality or occurrence of side effects, whether due to defects, supply chain issues or inadequate quality control measures, could result in product returns or recalls and significantly affect our brand image, customer loyalty and market position. Most of our products are manufactured by third-party contract manufacturers. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product returns or any incidents related to material product liability exposure, and we had not been subject to any product recall incidents. However, our quality control measures may not always timely detect defects, quality issues or side effects, especially if they originate from factors beyond our direct control, such as defects in raw material or issues with third-party contract manufacturers. In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury during the process of research, development and production of our products. In the event of such incidents, we could face product liability claims and be held liable for damages which, to the extent not covered by existing insurance or indemnification, could harm our business, results of operations and financial condition. Other adverse effects could also result from such inability, including reputational damage, decline in sales and loss of market share.

Specifically, we are subject to a number of laws and regulations pertaining to quality and safety of cosmetics, including the Regulation on the Supervision and Administration of Cosmetics (化妝品監督管理條例), the Measures for the Supervision and Administration of Production and Operation of Cosmetics (化妝品生產經營監督管理辦法), the Cosmetic Production Quality Management Standard (化妝品生產質量管理規範, No. 1 [2022] of the State Drug Administration Announcement), and the Measures for the Administration of Cosmetic Labeling (化妝品標籤管理辦法, No. 77 [2021] of State Drug Administration Announcement), among others. See “Regulatory Overview—Regulations Relating to Cosmetics

RISK FACTORS

Production and Sales.” In addition, more stringent requirements regarding the quality, safety and other key dimensions of cosmetics may be promulgated. We may incur significant and/or increasing costs to comply with these requirements, and any deficiency in complying with these laws and regulations may result in substantial fines, penalties or other sanctions and materially adversely affect our business, results of operations and financial condition.

We may not be able to design marketing strategies effectively or implement them efficiently, which could impair our ability to attract and retain customers and increase our profitability.

Our growth depends on our ability to design and implement effective marketing strategies to attract and retain consumers, strengthen brand recognition and expand market share. In particular, success in the skincare industry in China requires timely adjustment of our marketing strategies in response to evolving consumer preferences, shifting market trends, development of marketing platforms and methods, in particular the rapid changes on various social media channels, and increasing competition. We have invested considerable resources in promoting our brands and products. In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our selling and distribution expenses were RMB1,267.5 million, RMB1,238.3 million, RMB848.2 million and RMB871.3 million, respectively, representing 65.1%, 59.4%, 61.8% and 57.6% of our total revenue in the same periods, respectively. Based on our deep understanding our consumer demand, we have implemented a number of marketing initiatives that have supported our brand building and reinforced our marketing position in the past, in particular with our science-led consumer communication. If our marketing strategies and initiatives are not effectively executed, fail to resonate with our target markets or customer segments or are not adapted quickly and effectively to the changes mentioned above, we may be unable to harness our brand visibility and equity, achieve desired returns on our marketing expenditures, sustain customer loyalty and maintain or improve our sales, and we may lose our market share to competitors, all of which could have a material adverse effect on our business, results of operations and financial condition.

Moreover, the success of our sales and marketing strategies to date relies heavily on our high-caliber sales and marketing personnel with deep operational experience and well-versed with relevant channels. Any failure in hiring and retaining such qualified sales and marketing personnel to design and implement effective strategies, or timely adjusting our strategies in view of the changes, may result in lowered market exposure, diminished brand and reputation, decrease in sales and revenue, and, as a result, damage to our business. In addition, our relationships with third parties such as e-commerce platforms, KOLs and KOCs and retailers are vital for our sales and marketing efforts as they provide us with critical market access and insights that help enhance our brand awareness. Nonetheless, we cannot assure the preservation or enhancement of these relationships due to their potential market exits, shifts in focus, or collaborations with competitors. If we fail to maintain these relationships, our business may decline, and our results of operations and financial condition may be negatively affected. Furthermore, as consumer behaviors change and new channels emerge, we might not always be able to promptly or precisely identify or capitalize on such new marketing opportunities, which may harm our timeliness to market, reduce our competitiveness and affect the degree of adoption of our products, as well as our market presence.

We may not be able to effectively achieve our growth and execute our business strategies, which could adversely affect our business, results of operations and financial condition.

We have experienced growth during the Track Record Period. Our revenue increased by 6.9% from RMB1,948.0 million in 2023 to RMB2,082.9 million in 2024, and increased by 10.2% from RMB1,372.9 million in the nine months ended September 30, 2024 to RMB1,513.5 million in the nine months ended September 30, 2025. The continued growth of our business depends on our ability to effectively carry out our growth strategies and scale up our operations while effectively managing our growth and maintaining operational efficiency and financial stability.

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Key factors affecting our ability to achieve these objectives include, but are not limited to:

- precisely anticipating and effectively capturing evolving consumer preferences and market trends;
- optimizing each key aspect of our operations, including our R&D, supply chain, manufacturing, branding and marketing and sales, to ensure that they effectively support our growth, align with our strategies, and achieve operational leverage;
- developing and managing robust sales channels in line with our business needs, including reinforcing our online channels and effectively developing offline distribution channels and self-operated stores;
- harnessing our brand and reputation;
- attracting, training, and retaining talent to support our expansion;
- controlling our costs and operating expenses at a reasonable level commensurate with our growth;
- effectively managing working capital, capital expenditures and financial risks; and
- strengthening our internal control systems.

There is no assurance that we will be able to successfully carry out such key factors and effectively manage our growth or execute our business strategies as planned. Any failure to do so could materially and adversely affect our business, results of operations, financial condition and prospects.

We have a relatively short operating history, and our historical results of operations may not be indicative of future performance.

We established our HBN brand and began to launch skincare products in 2019. Despite our short track record, we have achieved market leadership in multiple aspects. For instance, we ranked No. 4 among domestic dermatological skincare brands in terms of retail sales value in 2024, and No. 1 in terms of the retail sales value of corrective skincare products in 2024, according to the CIC report. We also achieved enhanced profitability during the Track Record Period. Our net profit increased by 232.5% from RMB38.8 million in 2023 to RMB129.1 million in 2024, and increased by 190.3% to RMB144.5 million for the nine months ended September 30, 2025 from the same period in 2024. Our net profit margin increased from 1.9% in 2023 to 6.2% in 2024, and further to 9.6% in the nine months ended September 30, 2025.

We cannot assure you that our momentum will attain the same degree as we have achieved in the past or persist. Specifically, we may not be able to sustain the same level and pace of growth, or our revenue, gross profit, gross profit margin, net profit, and net profit margin may decline for various reasons, some of which may be beyond our control, such as shifts in consumer preferences that we fail to anticipate or respond effectively to, decreased consumer demand for our products, cost fluctuations of our materials and supplies, supply chain disruptions, more intense competition in the industry, or damage to our reputation or brand image. We may also encounter difficulties with the development and commercialization of new products and the research and implementation of technologies, which will harm our competitive edges and affect our market share and financial performance over time. Furthermore, as our business further expands, we could encounter unforeseen challenges, as our operations may become more complex and costly. You should therefore not rely on our historical results of operations as indicative of our future performance.

RISK FACTORS

We are subject to risks relating to our reliance on suppliers. Any disruptions to our supply chain, deterioration of relationship with our suppliers or other negative incidents concerning our suppliers could adversely affect our business, results of operations and financial condition.

Our ability to constantly deliver high quality products that incorporate our R&D results, address market demand and ensure our consumer experience depends in part on our supply chain capabilities. As we currently only perform a limited amount of manufacturing activities in house and primarily rely on contract manufacturers for the production of our products, and we principally procure raw materials that meet our standards and requirements from third-party raw material suppliers, our supply chain status is subject to the performance and conditions of our suppliers, as well as our relationship with these suppliers. In particular, we depend on a limited number of key contract manufacturers and raw material suppliers to manufacture our products. In addition, under our current business model, we primarily rely on a few e-commerce platforms to sell and distribute our products. These platforms provide us with promotion services, platform services and other services to enable us to promote our brand, market our products, operate our stores and facilitate our sales transactions on their platforms.

Our suppliers primarily comprise (1) platform service providers; (2) promotion service providers; and (3) contract manufacturers. Purchases from our five largest suppliers for each year/period during the Track Record Period amounted to RMB821.5 million, RMB890.4 million and RMB558.6 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 48.4%, 49.1% and 46.0% of our total purchases for the same year/period, respectively. For details, see “Business—Our Suppliers.” As a result, our reliance on these major suppliers subjects us to typical concentration and counterparty risks, including enhanced risks of service and supply disruptions, pricing changes and reduced bargaining power. If any of these suppliers were to experience business disruptions, operational difficulties, financial distress, regulatory concerns, negative publicity or other disruptions, or if any of these suppliers cease to collaborate with us, and we were unable to secure alternative suppliers that meet our standards and requirements on a timely basis and commercial terms favorable or acceptable to us, our ability to deliver products to consumers might be impaired. As a result, our business, results of operations and financial condition could be materially and adversely affected.

Specifically, our collaborations with contract manufacturers, raw material suppliers, e-commerce platforms and other third-party suppliers expose us to relevant third-party risks. Our suppliers may elect to terminate business relationship or decline to supply to us due to a number of reasons, including regulatory, commercial or competitive considerations. We also cannot assure you that our suppliers will have sufficient capacity to meet the increasing demand for our products, or will always supply materials or manufacture products in compliance with our standards, which could result in delayed launch of new products and product delivery. In addition, any prolonged production lead time of our suppliers may affect our ability to manage inventory and implement our demand planning policies and procedures to ensure that scheduled production meets anticipated market demand. We may also have contractual or other disputes with our suppliers. Any material deterioration in our relationships with suppliers, any significant business challenges faced by them, or any failure on their part to comply with contractual or regulatory requirements could affect our raw material and finished product quality or supply, cause consumer dissatisfaction and harm our brand image and reputation. Furthermore, any leakage, plagiarism or disclosure of confidential information by our suppliers could jeopardize our market competitiveness. Although we have implemented internal control measures governing our contract manufacturers, including rigorous review standards of contract manufacturers, cooperating exclusively with top-tier contract manufacturers, and subjecting their production activities to comprehensive end-to-end quality supervision, we cannot assure you that we will be able to detect, prevent or rectify all contract manufacturing issues including quality issues in a timely and adequate manner. For details, see “Business—Product Safety and Quality Control.” We also cannot assure you that our suppliers can consistently meet our specifications, quality standards, technical parameters and other parameters and requirements that we may impose on our raw materials and finished products, or that our suppliers will be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. The occurrence of any of the incidents discussed above could cause a material adverse effect to our business, results of operations and financial condition.

RISK FACTORS

We mainly rely on third-party e-commerce platforms and social media platforms to market and sell our products online. If such platforms’ services or operations are interrupted or if our cooperation with such platforms terminates, deteriorates or becomes more costly, our business, results of operations and financial condition may be materially and adversely affected.

We currently primarily sell our products online through e-commerce platforms primarily including *Tmall*, *Douyin*, and *JD.com*, and we also sell our products to online retailers primarily including *JD.com*, *Tmall*, and *Vipshop*, which will in turn sell these products to consumers. Meanwhile, we drive conversion through social media and e-commerce platforms such as *Douyin*, *rednote*, *Tmall* and *JD.com*. During the Track Record Period, our revenue from online direct sales and sales to online retailers in aggregate amounted to RMB1,875.6 million, RMB1,997.9 million, RMB1,315.1 million and RMB1,410.5 million in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively, accounting for 96.3%, 95.9%, 95.8% and 93.2% of our total revenue for the same periods, respectively. As we rely heavily on these platforms for our operations, we are subject to risks arising from these platforms and our relationship with them, including, among others:

- interruptions in the services or operations of these platforms, whether due to technical failures, cyberattacks, regulatory actions or other factors;
- negative publicity or reputational damage associated with these platforms, which could deter users and reduce consumer traffic;
- declines in the platforms’ ability to provide satisfactory consumer experiences, attract new users or retain existing ones;
- termination or deterioration of our relationship with these platforms, increases in the costs associated with maintaining these partnerships, and unfavorable commercial terms with these platforms;
- competition for user traffic and brand presence on and among these platforms; and
- our failure to incentivize these platforms to drive traffic to our online stores or effectively promote the sale of our products.

As many of the factors above are subject to the business operations, strategic decisions and industry environment of third-party platforms and are thus beyond our control, we cannot assure you that our relationship with these platforms will remain stable or amicable, and such platforms will constantly attract consumers for us. We also cannot assure you that the cost of cooperating with these e-commerce and social media platforms will not increase and generate the level of returns as we anticipate, to justify our investments. If we cannot efficiently utilize the resources of these platforms and constantly optimize our operations in connection with these platforms, our business, results of operations and financial condition may be materially and adversely affected.

Moreover, the sales channels and marketing platforms in China have undergone significant changes and may continue to evolve in the future. We must continue to monitor trends in product distribution and market publicity and to make necessary changes in order to optimize our current sales network and marketing strategies as well as exploit new channels and platforms. We also cannot assure you that we are able to respond effectively to changes of consumer behavior with the rise of new platforms or new sales models. If we cannot timely adapt to these changes, our prospects will be adversely affected.

RISK FACTORS

We are subject to risks associated with having a relatively limited product portfolio. We cannot assure you that we can effectively expand and diversify our product portfolio.

We have a relatively limited product portfolio. As of September 30, 2025, we had 36 SPUs. In addition, we have launched a number of products well-recognized by the market. We consistently upgrade such products according to our business planning to extend their lifecycle and capture the market with enhanced product features and new value to consumers. However, we cannot assure you that these initiatives will always reach desirable outcomes. We cannot assure that demand for such products will continue to grow or sustain as anticipated. If we are unable to maintain the sales volumes, pricing levels and profit margins of such products, our revenue and profitability could be adversely affected. Additionally, we cannot assure you that we would be able to develop new products that diversify and expand our product portfolio or do so in a timely or cost-effective manner. Furthermore, even if we are able to bring more products to market, we may not be able to capture market share, maintain our competitive position, expand our business, or sustain growth and profitability. As a result, our historical performance associated with these major products may not be a reliable indicator of our future performance or serve as an adequate basis for evaluating our prospects.

We collaborate with a large number of KOLs and KOCs to further our marketing and sales initiatives. If we cannot effectively manage such collaborations, or if we encounter negative publicity, stricter regulations or disputes associated with such collaborations, our business, results of operations and financial condition may be materially and adversely affected.

We collaborate with a large number of KOLs and KOCs in the ordinary course of our business to further our marketing and sales initiatives, through whom we aim to leverage their influence on consumer perceptions, preferences and purchasing decisions. For details of our collaborations with these parties, “Business—Branding and Marketing.” We cannot assure you that our strategies and approaches to KOLs and KOCs are always suitable, optimal or effective, and they may not generate the desired level of market influence and returns in terms of user traffic and sales, which may render our investment in such KOLs and KOCs less efficient. In addition, due in part to the large number of KOLs and KOCs that we collaborate with, we may face challenges with managing our collaborations at such scale and in an efficient manner, and we may incur significant costs and management attention to oversee such operations, which could cause burdens to our business and harm our profitability.

We have implemented systematic and stringent measures to monitor and manage our relationship with these KOLs and KOCs. For details, see “Business—Branding and Marketing.” However, we cannot assure you that these measures are adequate or will be implemented effectively. As these KOLs and KOCs are third parties to us, our ability to control them is inherently limited. We cannot assure you that our KOLs and KOCs and the business partners through which we collaborate with the KOLs and KOCs, such as MCNs, will remain compliant with applicable laws and regulations, such as those relating to marketing and advertising acts and tax compliance. Any misconduct or deterioration of image by these influencers and business partners, including inappropriate speech, unethical behavior, violation of laws and regulations or other negative publicity beyond our control would adversely affect our brand, reputation and product sales. The regulatory framework and platform guidelines concerning these third parties have also been developing, and we cannot assure you that our KOLs and KOCs and the business partners will be able to meet such new requirements, and we may incur increasing marketing and other costs as a result of more stringent compliance requirements.

RISK FACTORS

We and our KOLs and KOCs and the business partners through which we collaborate with the KOLs and KOCs may terminate collaborations for commercial considerations or other reasons. We and our KOLs and KOCs and the business partners through which we collaborate with the KOLs and KOCs and may also be involved in claims, disputes or legal proceedings against each other, such as due to compensation, which may divert our management’s attention and cause us to incur additional expenses and costs. We also cannot prevent them from publicizing negative information against us in the event of such dispute, which could harm our brand and reputation and affect our sales. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material claims, disputes or legal proceedings with our KOLs and KOCs and the business partners through which we collaborate with the KOLs and KOCs, nor had we encountered any termination of such collaborations that had a material adverse effect on us. If our relationship with any KOLs or KOCs that are critical to our business deteriorates or terminates with cause, or if there is a significant attrition of our collaborations with KOLs and KOCs, our business, results operations, financial condition and reputation may be adversely affected.

The outcome of marketing through KOLs and KOCs is often subjective and uncertain. We cannot assure you that such marketing will remain effective and compatible with the messages that our brands and products aim to convey. Furthermore, we cannot assure you that these KOLs and KOCs will remain popular or any of their images will remain favorable, as perceived by our consumers. As a result, the effectiveness of our marketing efforts will be harmed.

We are subject to potential supply shortages and increased costs of production and raw material prices, which may materially and adversely affect our business, profitability, results of operations and financial condition.

Despite the precautionary measures we have taken, our reliance on third-party suppliers for raw materials could lead to supply disruptions if these suppliers face operational issues, financial instability or other unforeseen circumstances. Should there be any temporary or emergent shortage in the supply of raw materials or prolonged lead times, our production could be affected, which may result in a delay in delivery to our consumers, resulting in insufficient supply or reputational damage. Furthermore, we may be subject to the risks associated with the fluctuations of our raw material prices and outsourced manufacturing costs, which may in turn affect our profit margin. Our cost of sales were RMB455.0 million, RMB553.2 million, RMB366.2 million and RMB374.4 million in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively, representing 23.4%, 26.6%, 26.7% and 24.7% of our total revenue for the same periods, respectively. Our cost of sales consists primarily of (1) cost of inventories sold, primarily comprising the cost of raw materials and contract manufacturing costs; and (2) logistics and delivery costs. Our cost of inventories sold was RMB387.8 million, RMB483.7 million, RMB318.6 million and RMB323.6 million in 2023, 2024 and for the nine months ended September 30, 2024 and 2025, respectively, accounting for 19.9%, 23.2%, 23.2% and 21.4% of the total revenue in the same periods, respectively. Specifically, the prices of our raw materials may fluctuate with market conditions and are subject to various factors beyond our control, such as supply and demand conditions or disruptions in the international supply chain as some of our raw materials are imported. We generally do not engage in hedging activities related to the risk exposures in connection with the price of our raw materials and may face price fluctuations. We cannot assure you that our cost of sales will not increase significantly in the future, which may materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

Failure to accurately forecast market demand for our products and maintain an optimal inventory level may materially and adversely affect our business, results of operations and financial condition.

Our business requires us to manage a large volume of inventory effectively. As of December 31, 2023 and 2024 and September 30, 2025, we had inventories of RMB140.1 million, RMB177.6 million and RMB180.1 million, respectively. In 2023, 2024 and the nine months ended September 30, 2025, our inventory turnover days were 113 days, 105 days and 130 days, respectively. For details, see “Financial Information—Discussion of Selected Items from the Consolidated Statement of Financial Position—Assets—Inventories.” We depend on our forecasts of demand for, and popularity of, various products to make purchasing decisions and to manage our inventories. For details, see “Business—Inventory Management and Logistics.” Demand of our products may be affected by general seasonality factors, changes in the promotional policies of the e-commerce platforms, our new product launches, pricing adjustments, product defects or adverse events, changes in market trends and consumer spending patterns. We cannot assure you that we can always forecast the fluctuations of demand accurately and/or implement inventory management policies and adjust our inventory levels efficiently in light of such fluctuations.

If we fail to manage our inventory effectively or negotiate favorable commercial terms with our suppliers to optimize our inventory levels and costs, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs in the case of overestimation of consumer demand, or increased costs to secure necessary production and delivery delays and loss of customer orders in the case of underestimation of consumer demand. Any overstock of inventories harms our working capital efficiency, and any inability to meet consumer demand and delays in the delivery of our products could result in reputational harm and damaged relationships with our consumers and customers. In addition, if we are required to lower sale prices to reduce inventory level or to pay higher prices to our suppliers to obtain adequate inventories, our profit margin might be negatively affected. Any of the above may materially and adversely affect our business, results of operations and financial condition.

We rely on third-party logistics service providers to store and deliver our products. Any delivery delays, improper handling or increase in warehousing or transportation costs may adversely affect our business, results of operations and financial condition.

We rely on third-party logistics service providers for the storage and delivery of our products. As of September 30, 2025, we had seven logistics service providers. These logistics service providers provided us with warehousing and logistics services. As of September 30, 2025, we had five warehouses in Dongguan, Guangzhou, Chengdu, Kunshan and Tianjin, through which we achieve efficient order fulfillment and broad coverage. For details, see “Business—Inventory Management and Logistics—Warehousing and Logistics.” Any failure by these service providers to meet our standards or contractual requirements, any operational inefficiencies, system malfunctions, labor issues, accidents such as fires and traffic accidents, natural disasters or other negative events that cause turbulences and disruptions to the operations of these service providers and concerns us, could result in delivery delays, inventory losses or product damage and negatively affect our ability to deliver our products to our consumers and customers. As we do not have direct control over these outsourced logistics providers, we cannot assure the quality and timeliness of the delivery process. Improper handling of products, such as suboptimal storage conditions and mishandling during the delivery process, could cause inventory damages and financial losses to us, and, if the products are delivered to consumers before we take remedial measures, lead to consumer dissatisfaction, damage our brand and reputation and increase our warranty obligations and relevant costs.

RISK FACTORS

In addition, any significant increase in warehousing or transportation costs, or adverse changes in the terms of our arrangements with these providers, could increase our operating expenses. If we are unable to secure alternative logistics arrangements on commercially reasonable terms in a timely manner, our business, results of operations, and financial condition could be materially and adversely affected.

Our results of operations may fluctuate due to seasonality, and the results for any period in a year are not necessarily indicative of full-year results.

We have experienced, and we expect to continue to experience, seasonal fluctuations in our business. E-commerce platforms through which we sell our products host major shopping events, such as the Double 11 Shopping Festival and the 618 Shopping Festival, as well as public holidays, which significantly influence market demand around the relevant period. In light of such seasonal pattern of the demand for our products, our revenue and results of operations are likely to continue to fluctuate due to seasonality, and thus the results for a specific period in a year are not necessarily meaningful, nor can these comparisons be relied upon in assessing or predicting our financial performance in a particular full year.

We may not be able to adequately protect our intellectual property rights, which could harm the value of our brands and adversely affect our business.

Our success depends significantly on our ability to protect our proprietary ingredients, technologies, formulations, and product designs from intellectual property infringement through the establishment, maintenance, and enforcement of our intellectual property rights, including patents, trademarks, copyrights, and trade secrets. We have developed a range of proprietary R&D capabilities, such as raw materials, active ingredients, formulation design, encapsulation technologies, and transdermal delivery technologies which constitute valuable know-how and competitive advantages for our brand.

We rely on a combination of patents, trademarks, copyrights, trade secrets and confidentiality agreements or other similar provisions to safeguard our intellectual property. However, obtaining and maintaining such protection is costly and time-consuming, and there is no assurance that we will be able to secure or enforce all patents, trademarks or other rights in a timely or cost-effective manner. We may fail to identify patentable aspects of our R&D output promptly, or our applications may not result in granted patents or may be challenged, invalidated, or circumvented by competitors. If we are unable to maintain effective protection of our intellectual property, competitors may develop similar or substitute formulations or technologies, which could weaken our competitive advantage and adversely affect our business and results of operations. As of September 30, 2025, we had 130 granted patents, including 21 invention patents, 95 design patents and 14 utility model patents, as well as 104 patent applications which were pending approval. As of the same date, we had 64 work copyrights, 21 software copyrights and five domain names. For details, see “Appendix VI—Statutory and General Information.” The validity, enforceability, and scope of intellectual property rights, however, depend on compliance with procedural and regulatory requirements, which may change in the future. Any failure to comply with such requirements, or changes in relevant laws or administrative practices, could result in the lapse, invalidation, or reduction of our intellectual property protection, thereby allowing competitors to enter the market with similar technologies or products.

We rely on trade secrets, proprietary know-how and confidential business information to maintain our competitive advantage. We typically require our employees, suppliers (including our raw material suppliers and contract manufacturers) and research partners to enter into non-disclosure or confidentiality agreements or similar provisions or undertakings to protect such information. However, these measures may not provide absolute protection. Parties may intentionally or inadvertently disclose our proprietary information, and legal remedies for breach of confidentiality or misappropriation of trade secrets may be insufficient, uncertain, costly, and time-consuming. Any loss of trade secrets or unauthorized use of our proprietary information may limit our ability to compete in our market, potentially leading to a decline in our market share and revenue.

RISK FACTORS

Our intellectual property assets include our registered trademarks, which are valuable assets. As of September 30, 2025, we had 665 registered trademarks in China. For details, see “Appendix VI—Statutory and General Information.” Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names. At times, competitors and other third parties may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion and reputational damage. If we fail to protect our trademarks effectively, our brand may become less attractive and prominent among consumers, which will also affect our ability to generate sales effectively.

Our business success depends on the continuing efforts of our senior management and other key personnel.

Our business operations and prospects rely on the skills, experience, and performance of our senior management members and key personnel who perform vital functions in various areas, including strategic planning, R&D, sales and marketing and operational management. Any discontinuation of services by these members, whether due to resignation, retirement or other reasons, could disrupt our operations and impact our ability to execute our business strategies effectively. Competition for experienced and qualified personnel in the skincare industry is intense, and we may not be able to attract suitable replacements in a timely manner or on commercially reasonable terms, if at all. If any of these key personnel depart to join our competitors, we may become disadvantageous in market competition.

Any negative publicity or developments with respect to our Directors, employees, customers, suppliers or other third parties relevant to us may materially and adversely affect our consumer acquisition, reputation, and results of operations.

We are exposed to the risks of fraudulent or illegal activities or other misconducts by our Directors, employees, customers, suppliers or other third parties relevant to us, including the e-commerce platforms, the research, academic, testing and certification and other organizations that we collaborate with for R&D activities, the KOLs and KOCs and the business partners through which we collaborate with the KOLs and KOCs, and the celebrities that we engage or otherwise collaborate with, which could subject us to negative publicity or even liabilities, fines and other penalties. Our ability to oversee the activities of these third parties that may have an impact on us varies, and we generally have limited control over third party conducts. Certain of such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control.

We cannot assure you that our control measures will detect or prevent fraudulent or illegal activities by such persons in a timely and adequate manner, if at all. Any alleged illegal, fraudulent, corrupt or collusive activities by such persons, whether true or not, with or without merit, or impinged or implicated on us or not, could subject us to negative publicity which could severely damage our brand and reputation. If such activities are conducted by our employees, or otherwise impinged or implicated on us, we could be subject to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. As such, any failure to detect and prevent fraudulent or illegal activities or other misconduct by such third parties could materially and adversely affect our reputation, business, results of operations and financial condition.

RISK FACTORS

Failure to maintain effective pricing strategies and any downward trends in the pricing of our products may have a material adverse effect on our business, results of operations and financial condition.

We have designed and implemented a systematic and effective pricing policy that enables us to maintain appropriate market positioning and achieve profitability. We set the price of our products based on multiple factors, including market positioning of such product, competitive landscape, our procurement and production costs, consumer spending behaviors and prices of comparable brands and products. For details, see “Business—Pricing.” However, subject to various internal and external factors, our pricing strategies may not always be effective and competitive, which may affect our ability to capture consumer demand, generate revenue and achieve and enhance our profitability. If our market research does not accurately reflect current market dynamics, our pricing strategy may become misaligned, leading to reduced profit margins if we price too low or suppressed sales volumes and revenues if we set prices too high. Even if our initial pricing is suitable, we may still be required to offer substantial discounts or participate in other promotional activities during major sales events, such as the Double 11 Shopping Festival, to boost brand visibility and stimulate purchases, or to adjust prices over the product life cycle, both of which could negatively impact our overall gross profit margin. Furthermore, with the introduction of competing products, or with voluntary price cuts by our competitors, we may be forced to lower our prices. If the prices of our products decline due to these factors, and if we are unable to mitigate the adverse effects of such price reduction by effectively improving our products and lowering our costs, our profit margin may decrease accordingly. Our gross profit margin was 76.6%, 73.4%, 73.3% and 75.3% in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. If our products experience downward pricing pressures, we cannot guarantee that we can sustain such profit margin levels. Any prolonged decrease in our product prices or any resulting decline in our revenues and profit margins in the future could materially and adversely affect our business, results of operations and financial condition.

Our delivery, return and exchange policies may subject us to additional costs and expenses, which may adversely impact our results of operations and financial condition.

We have adopted shipping policies under which we usually bear the costs for shipping our products to consumers. We have also adopted product return policy that allows products to be returned and exchanged by our customers within a specified period in accordance with industry practice, relevant platform policies and applicable laws and regulations. See “Business—Our Sales Channels” for details. If our delivery, return and exchange policies are misused by a significant number of customers or if the return or exchange rates increase substantially, our costs may significantly increase, and our results of operations may be materially and adversely affected.

We may also be required by law, platform policies and industry practices to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies may improve customer experience and promote customer loyalty, which may in turn help us acquire and retain consumers, they also subject us to additional costs and expenses which we may not recover through sales growth or increased revenue. Any failure to effectively manage the risks associated with our delivery, return and exchange policies could have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

Part of our products are sold through distributors. We may not operate an effective distributorship sales model and our limited control over our distributors exposes us to risks.

We currently distribute a small portion of our products through online and offline distributors. For details of our distributors, see “Business—Our Sales Channels.” In 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from sales to both online and offline distributors model amounted to RMB46.4 million, RMB49.7 million, RMB33.9 million, and RMB67.6 million, respectively, accounting for 2.4%, 2.4%, 2.5% and 4.5% of our total revenue in the same periods, respectively. Our sales through distributors may not be as effective as our sales through our direct sales. We cannot assure you whether our distributors can effectively market, promote and sell our products, and maintain their own competitiveness. We also cannot assure you that we will be able to maintain long-term, in-depth cooperation with our distributors, or that we will be able to expand our sales through distributorship. The effective expansion of our distribution network depends on our ability to enter into renewal agreements with existing distributors on terms favorable to us, and expand our distributor base, especially for key distributors. Any decrease in sales from, or loss of our distributors could adversely affect our business, results of operations and financial condition. In addition, we face risks associated with managing a multi-channel sales network, including cannibalization among direct sales and distributors’ channels, which could reduce the efficiency of our sales network.

While we have implemented measures to regulate our distributors, including through our distributorship agreements with them, our control over distributors is limited, and we cannot assure you that we can successfully manage our distributors. For instance, we may not be able to effectively track the sales and inventory level of our distributors. This could in turn lead to our inability to accurately predict sales trends and forecast customer demand, which could result in excess inventory levels or a shortage of products. We may also fail to detect incidents of misconduct or non-compliance on the part of our distributors that violate the terms of our distributorship agreements or applicable laws and regulations in a timely manner, or at all. Misconduct and violations may occur in various forms, such as unauthorized sales of products or distribution into regions that violate distribution rights, unauthorized cross-sales, contravention of our distributor management policies or other terms with them, misrepresentation to consumers, unauthorized or improper use of our brand name, inadequate promotion of our products, and violations of anti-bribery and anti-corruption laws. Such incidents by any of our distributors could cause inefficiencies or other disruptions to our pricing system, tarnish our brand, and negatively affect our sales and damage our relationship with such distributors and consumers. These and similar actions could also result in further loss of consumers and decline in sales or even incur liabilities and claims against us.

RISK FACTORS

We are subject to risks arising from our in-house manufacturing activities. In addition, we may not be able to expand our production capacity as planned or efficiently operate our new manufacturing facilities.

While we currently primarily rely on contract manufacturers and third-party raw material suppliers, we perform a small amount of manufacturing activities in house through our specialized manufacturing facility in Shenzhen, China. For details, see “Business—Procurement and Production—Production.” In-house manufacturing activities expose us to various risks. For instance, we are subject to laws and regulations relating to production and quality management of cosmetics products in China, as well as relevant quality and manufacturing standards. We are also required to obtain necessary licenses, approvals and permits in order to carry out certain types of manufacturing activities. See “Regulatory Overview—Regulations Relating to Cosmetics Production and Sales” for details. Compliance with these requirements may demand significant costs and other corporate resources, and we cannot assure you that can be achieved in a timely and adequate manner, if at all. In addition, we cannot assure you that our internal control procedures governing the management of these manufacturing activities will always be effective. Defects of our products and certain materials manufactured in house may fail to be detected or remediated as a result of a number of factors, including manufacturing errors, technical or mechanical malfunctions during manufacture, human error or malfeasance, or issues with the raw materials procured. Failure to detect, prevent or control defects in our products or to prevent such defective products from being delivered to our customers could result in product recalls or withdrawals, license revocation, regulatory fines, product liability claims, injury or other problems that could seriously harm our reputation and product sales and expose us to significant liabilities and damages. Such in-house manufacturing operations are also subject to potential disruptions, such as equipment breakdowns, power outages, supply chain delays (such as shortages of raw materials), regulatory enquiries and inspections, natural disasters, and health or safety incidents. All of these may materially and adversely affect our business, results of operations and financial condition.

Our specialized manufacturing facility was commissioned to use in late 2025 and we were still in the process of ramping up such facility. In addition, we plan to selectively enhance our manufacturing capacity through new facilities to address the expanding needs of our business operations and strengthen our control over ingredients and production. As a result, we may be subject to heightened risks associated increasing in-house manufacturing activities. Moreover, we cannot assure you that our manufacturing facilities will be ready in time or our production capacity will otherwise be successfully expanded. Establishing in-house manufacturing facilities requires substantial capital expenditure, regulatory approvals and operational expertise. Any delay, cost overrun, or failure to achieve the anticipated production efficiency could materially affect our growth strategy and financial performance. Furthermore, if market demand declines in the future, we may not be able to recover the costs incurred for construction of new manufacturing facilities and maintenance of expanded production capacity. The delay or cancelation of our expansion could also subject us to disputes with various counterparties. Any of such events would materially and adversely affect our business, results of operations and financial condition.

We have awarded and may continue to award equity instruments under equity incentive plans, which may cause shareholding dilution to our Shareholders and result in increased share-based compensations.

In 2023, 2024 and the nine months ended September 30, 2024 and 2025, we recorded share-based payment expenses of RMB53.5 million, RMB0.3 million, RMB0.2 million and RMB0.3 million, respectively. To further incentivize our employees, we may adopt other equity incentive plans and award additional equity incentives in the future. See “History, Development and Corporate Structure—Pre-[REDACTED] Share Incentive Scheme.” Issuance of Shares with respect to our equity incentive plan may dilute the shareholding of our existing Shareholders and incur substantial share-based compensations that could have a material and adverse impact on our results of operations.

RISK FACTORS

We have received government grants and preferential tax treatment, and any discontinuation of government grants or preferential tax treatment or any change in relevant policies may adversely affect our results of operations.

We have received government grants to support various aspects of our achievements and business operations. We recognized government grants as other income of RMB18.3 million, RMB6.2 million, RMB5.5 million and RMB18.6 million in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. In addition, we enjoyed certain preferential tax treatment during the Track Record Period. For instance, our Company was accredited as a “High and New Technology Enterprise” and was therefore entitled to a preferential income tax rate of 15% during the Track Record Period.

We may not continue to enjoy similar government grants and preferential tax treatment in the future, and the government grants and preferential tax treatments which we and certain of our subsidiaries are currently entitled to may not be successfully renewed. Some of the government grants and preferential tax treatment are non-recurring in nature. In addition, these policies may be subject to changes that are beyond our control. The timing, amount and conditions of government grants and preferential tax treatment are within the discretion of the governmental authorities, and subject to review by relevant authorities, which may be adjusted or revoked at any time in the future. Governmental authorities may also require us to perform certain obligations before we could receive government grants, and we cannot assure you that we could always fully satisfy these conditions or perform the obligations. In such cases, the governmental authorities may cease providing such benefits to us or even require us to repay part or all of the benefits we previously received. Any reduction, elimination, repayment or other negative trends in government grants and preferential tax treatment could adversely affect our business, results of operations and financial condition.

Our operations require various approvals, licenses and permits. Any failure to obtain or renew these approvals, licenses and permits could materially and adversely affect our business and results of operations.

Our operations such as sales and manufacturing of skincare products in China require multiple licenses, permits, filings and approvals. Certain licenses, permits or registrations we hold are subject to periodic renewal. If we fail to maintain or renew our licenses and certificates when their current terms expire, or obtain such renewals in a timely manner, our operations could be disrupted. If we fail to properly renew and maintain any of such requisite licenses on time, we may face penalties. In addition, as the laws and regulations governing our business and industry are developing, it might become more difficult for us to adapt to the changes to such laws and regulations. In case of any non-compliance, we may have to incur monetary expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity arising from such deficiencies, which may adversely affect our business and financial performance. There may be adjustments in the interpretation and implementation of existing and future laws and regulations governing our business activities. The licenses, permits, registrations or filings we hold may be deemed insufficient in the future, which may restrain our ability to expand our business scope and may subject us to fines and penalties or other regulatory actions. As a result, our business and results of operations could be materially and adversely affected. Furthermore, as we develop and expand our business scope, we may need to obtain additional permits and licenses, including in areas which are relatively novel to us and where regulations are more complex and stringent. To the extent that we cannot obtain approvals and licenses necessary for our new business initiatives, our business expansion may be impeded and our prospects may suffer.

RISK FACTORS

Failure to comply with applicable laws and regulations governing the advertising, labeling and marketing of our products may subject us to potential risks and penalties.

We advertise and promote our brands and products through various online and offline channels, and we are subject to a number of PRC laws and regulations that govern our advertising, labeling and marketing practices, such as the Advertising Law of the PRC (中華人民共和國廣告法), the Measures for the Administration of Internet Advertising (互聯網廣告管理辦法) and the Regulation on the Supervision and Administration of Cosmetics (化妝品監督管理條例). Under the applicable PRC laws and regulations, we are required to ensure that the contents of our advertisements are in full compliance with applicable laws and regulations. For example, the advertisements shall not present any false, inaccurate or misleading information about the products. For details, see “Regulatory Overview—Regulations Relating to Cosmetics Production and Sales of Cosmetics.” Moreover, the efficacy claims of skincare products are subject to additional compliance requirements. For example, the efficacy claims of cosmetics shall be supported by sufficient scientific evidence. The basis for such efficacy claims includes, among others, literature and documentation, research data, or the results of tests evaluating cosmetic efficacy claims. The methods used to evaluate cosmetic efficacy claims shall be scientific, reasonable and feasible, and shall be capable of fulfilling the purpose of evaluating cosmetic efficacy claims.

We have implemented internal control measures regarding our advertising practice. See “Business—Branding and Marketing” for details. However, such internal control measures may not be adequate to prevent us from deficiencies. If we are found to be in violation of any of such laws and regulations in the future, we may face administrative penalties, including fines, discontinuation of our advertising activities and revocation of our business licenses. Moreover, governmental actions and civil claims may be filed against us for misleading or inaccurate advertising or other illegal acts violating advertising laws or consumer rights. If we, our employees or business partners we engage fail to comply with such laws and regulations, or if the relevant government authorities deem that our practices are non-compliant, we may be subject to fines and penalties and be required to take rectification measures that affect our operations. We may also have to spend significant resources on defending against such actions and modifying our business practices. These may damage our brand and reputation, cause a decline in sales and incur extra costs to us, which could materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

Laws and regulations related to e-commerce activities may impose additional requirements and obligations on our online operations.

Under our current business model, the compliance of our business activities on the e-commerce platforms with which we collaborate is critical to us. With the development of the e-commerce industry, activities related to e-commerce are subject to stricter regulations in areas such as consumer and personal information protection. For example, the E-Commerce Law of the PRC (中華人民共和國電子商務法), promulgated by the Standing Committee of the National People’s Congress of the PRC on August 31, 2018 and implemented on January 1, 2019, requires all e-commerce operators, broadly defined to include natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, to abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, participate fairly in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for the quality of products or services, and accept supervision by the government and the public. We may need to adapt our online sales models to comply with the evolving laws and regulations, which may subject us to higher costs in our online channels. We cannot assure you that we will be able to meet all the regulatory requirements in a timely and adequate manner.

Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties, and we may not be able to prevent the existence of counterfeit products on the market.

Our brands and products are integral to our market identity and consumer appeal. Third parties may manufacture and distribute counterfeit goods or imitations that infringe upon our trademarks, designs, patents, or other intellectual property rights. There is no assurance that our efforts will be sufficient to prevent the production and distribution of counterfeit or infringing products or that we will be able to obtain or enforce judgments against infringers. In addition, the costs associated with protecting our intellectual property rights may be substantial. The availability of such counterfeit products on the market can lead to brand dilution, loss of revenue, damage to our reputation and harm to our competitive position, which in turn could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend. These claims may result in a diversion of our financial and management resources and have a material adverse effect on our business, results of operations and financial condition.

We cannot assure you that our operations or any aspects of our business do not or would not infringe upon or otherwise violate the trademarks, patents, copyrights or other intellectual property rights held by third parties. While we had not been subject to any material intellectual infringement proceedings and claims during the Track Record Period and up to the Latest Practicable Date, we could be subject to such proceedings and claims in the future. There could also be patents or other intellectual property rights of third parties which we are not aware that our technologies or products may inadvertently infringe. We also cannot assure you that holders of patents purportedly relating to some aspect of our technologies and products, if any such holders exist, would not seek to enforce such patents against us in the PRC or any other jurisdictions, as applicable. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses and may be forced to divert management’s time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief was issued against us, it may result in significant liabilities and may materially disrupt

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our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, results of operations and financial position could be materially and adversely affected.

Any failure or perceived failure to meet network and data security and personal information protection requirements may materially and adversely affect our business and financial condition and results of operations.

We operate a consumer-facing business and conduct our operations via e-commerce and social media platforms. Our business operations involve the collection, use, storage, retention, transfer, and other processing of data, including certain personal information. We collect certain personal information from our consumers in the ordinary course of our business operations. See “Business—Data Security and Privacy.” Accordingly, our business operations are subject to various data privacy and security laws, such as the Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法), the PRC Cybersecurity Law (中華人民共和國網絡安全法), the PRC Data Security Law (中華人民共和國數據安全法) and the Measures for Cybersecurity Review (網絡安全審查辦法). See “Regulatory Overview—Regulations Relating to Cybersecurity, Personal Information Protection and Data Security.” We cannot ensure that our data may not be abused by our employees or leaked by intention or negligence to third parties, which may cause damage to our consumers. Any failure or perceived failure to comply with laws or regulations related to network and data security and personal information protection with respect to the collection, use, storage, retention, transmit, disclose and other processing of data may result in negative publicity, claims, litigation or investigations imposed by applicable authorities, and materially and adversely affect our business, financial condition and results of operations. Moreover, as our business continues to expand, we may become subject to additional regulatory requirements regarding data protection and data privacy, which may necessitate adjustments to our data framework and incur additional costs.

Any significant disruption to our information technology systems may interrupt our normal business operations.

Our business operations are supported by our information technology (“IT”) systems for various functions, including product sales, membership management, financial reporting, e-commerce transactions, inventory management, warehousing and logistics. These systems are important for maintaining operational efficiency, data accuracy and timely decision-making. However, our IT systems are subject to various risks, including system failures, data inaccuracies, cyber-attacks, data breaches, and other security incidents. Furthermore, our IT systems need to be regularly updated and upgraded to keep pace with technological advancements and changing business needs. These updates and upgrades may cause system disruptions or compatibility issues. These occasions could disrupt our operations, compromise our data, and result in significant remediation costs, legal liabilities, and reputational damage.

We also rely on third-party vendors for certain IT services. Any failure of these vendors to meet their service obligations could affect the performance of our IT systems. Furthermore, any breach of contract or termination of services by these vendors could result in disruptions to the operation of our IT systems, additional costs and time delays associated with transitioning to a new vendor.

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The increasing awareness of ESG matters may lead to the adoption of more stringent laws and regulations and increase our compliance costs.

As awareness of ESG issues continues to grow, there is a potential for the introduction of stricter laws and regulations including with respect to packaging waste, greenhouse gas emissions and environmental protection. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us. See “Business—Environmental, Social and Corporate Governance.” However, we cannot assure you that these risk management measures can effectively mitigate the relevant risks and help us to navigate the complex and evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business, results of operations and financial performance may be adversely affected.

Our insurance coverage may be inadequate to protect us from the liabilities we may incur or cover all of our potential losses.

We may bear the risk of loss of raw materials or products in transit. We may also face the risk of loss or damage to our inventories and properties, plant and equipment due to the occurrence of natural disasters, acts of war, terrorist acts, political unrest and epidemics, or other events. We are also subject to hazards and risks that are normally associated with our day-to-day operations. We currently maintain product allergy insurance and return shipping insurance. We also maintain property insurance for certain manufacturing and R&D equipment. See “Business—Insurance.” However, we cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, results of operations and financial condition.

We may be involved in litigation, legal or contractual disputes, governmental investigations or administrative proceedings, which may divert our management’s attention and adversely affect our business, results of operations and financial condition.

We may be involved in litigation, legal or contractual disputes, claims and proceedings, governmental investigations or administrative proceedings in the ordinary course of our business. These may involve issues relating to, among others, customer complaints, product quality and safety, delivery, warranty and return policies and advertising and promotional activities, contractual disputes with customers, suppliers and other business partners, and labor disputes. Any such claim or proceeding involving us, with or without merit, may be expensive, time-consuming and disruptive to our operations and distracting to our management. In addition, even if we ultimately succeed in such disputes or proceedings, negative publicity may arise therefrom and materially and adversely affect our reputation and business. If one or more legal or administrative matters were resolved against us, or certain injunctions are granted to prevent us from using certain technologies in our products, conducting our branding and marketing activities or selling and distributing our products, our business, results of operations and financial condition could be materially and adversely affected. Furthermore, unfavorable outcomes could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, corporate remedial measures, injunctive relief or specific performance against us that could materially and adversely affect our results of operations and financial condition.

RISK FACTORS

We may need additional capital and may not be able to obtain it in a timely manner or on commercially acceptable terms, or at all.

We may require additional cash resources for future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash 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. 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. 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 funds on terms favorable to us, or at all, could severely restrict our liquidity as well as 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 may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.

Companies operating in the PRC are required to participate in various employee benefit plans, including social insurance fund and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident fund with respect to certain of our employees, as required by the relevant PRC laws and regulations. As a result, we may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.

According to the relevant PRC laws and regulations, if the competent PRC government authority determines that the social insurance contributions we made for our employees violate the requirements under the relevant PRC laws and regulations, we may be required to pay all outstanding social insurance contributions within a stipulated period, with late fees at a daily rate of 0.05% of the outstanding amount. If we are required to settle the shortfall of social insurance contribution, and we fail to make the payment within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay the full amount of housing provident fund, the competent PRC government authority may require us to pay the outstanding amount within a stipulated period. If the payment is not made within such stipulated period, an application may be made to the PRC courts for compulsory enforcement.

As advised by our PRC Legal Advisor and based on the interviews conducted with the competent regulatory authorities, the likelihood that we would be subject to (1) centralized collection of historical shortfall of social insurance and housing provident fund contributions required by relevant government authorities on their initiative; or (2) material administrative penalties due to our failure to provide full social insurance and housing provident fund contributions during the Track Record Period for our employees, is remote. Accordingly, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period. We undertake to make timely payments for the deficient amount and overdue charges as soon as requested by the competent governmental authorities.

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However, we cannot assure you that we will not be subject to any order to rectify the non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the outstanding amount of the social insurance and housing provident fund contributions against us, or that we will not receive any claims in respect of the outstanding amount of the social insurance and housing provident fund contributions under national laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations promulgated by the PRC government or relevant local authorities.

Defects in our leasehold interests or any failure to protect our leasehold interests could adversely affect us.

As of the Latest Practicable Date, we operated our businesses through eight leased properties in Shenzhen, China, and one leased property in Hangzhou, China, with a total gross floor area of approximately 11,658 square meters, primarily used as office premises, R&D facilities and manufacturing facility for our business operations. As of the Latest Practicable Date, we had not completed lease registration for nine of our leased properties, primarily due to the difficulty of procuring our lessors’ cooperation to register such leases. Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisor, the validity and enforceability of the lease agreement are not affected by the failure to register or file the lease agreement with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the lease agreement within a prescribed period, and we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to comply. As of the Latest Practicable Date, we are not aware of any regulatory or governmental actions, claims or investigations being contemplated or any challenges by third parties to our use of our leased properties the lease agreements of which have not been registered with the government authorities. However, we cannot assure you that the government authorities will not impose fines on us due to our failure to register any of our lease agreements.

Our expansion to new markets may not be successful, and we are exposed to the risks associated with overseas operations.

We have been selectively exploring business opportunities in new geographic locations or markets. For instance, as of the Latest Practicable Date, we had initiated to sell our products in Southeast Asia and Hong Kong through third-party overseas e-commerce platforms and distributors, and we intend to further develop our overseas business and enhance our international brand presence. However, we have limited experience in doing business in these overseas markets and our products and business may not be well accepted. We cannot assure you that we can replicate our success or compete effectively in these markets. Moreover, as our overseas expansion proceeds, we may have to adapt our business models to the local market due to various legal requirements and market conditions and incur additional costs associated with such operations.

Specifically, we are subject to risks typically associated with overseas operations including, but not limited to, compliance with local laws and regulations, such as those related to product registrations and approvals, trade practices and tariffs, intellectual property, labor, anti-corruption, taxation, intra-group transactions and trade practices and data practice. If any of our overseas operations, or our associates, agents or distributors, violate laws in the relevant jurisdictions, we could become subject to sanctions or other penalties. We may also need to obtain additional government approvals, licenses or other authorizations for doing business in overseas markets. Changes in the political and economic environments in the markets where we operate and the imposition of tariffs, duties or other protectionist measures may also have a material adverse impact on our overseas operations.

RISK FACTORS

Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business and results of operations.

We may enter into acquisitions, investments or alliances with various third parties. These investments could subject us to a number of risks, including the degree of synergy, the success of integration, risks associated with sharing proprietary information, non-performance by the counterparty, and an increase in relevant expenses, any of which may materially and adversely affect our business, results of operations and financial condition. We cannot assure you that the business and financial performance of our investees will always meet our expectations, or that such investments will always be aligned with our business planning. We may also have limited ability to control or monitor the actions of relevant third parties, including our investees and investment partners. To the extent such third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer harm by association.

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing businesses. Future acquisitions and the subsequent integration of new assets, technologies and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing businesses, which in turn could adversely affect our business. Acquired assets, technologies or businesses may not generate the financial or operating results we expect. In addition, acquisitions and investments may also involve significant capital outlays, the issuance of equity securities that could dilute existing shareholders, or the assumption of debt, any of which could adversely impact our financial position. Any failure to realize the anticipated benefits from investments and acquisitions could materially and adversely affect our business, results of operations and financial condition.

Any future occurrence of force majeure events, such as natural disasters or outbreaks of contagious diseases, may materially and adversely affect our business, results of operations and financial condition.

Our business could be materially and adversely affected by natural disasters, health epidemics and pandemics such as SARS, Ebola, Zika or the COVID-19, acts of war, terrorism or other force majeure events, which may disrupt our supply chain, damage infrastructure, hinder workforce productivity and lead to increasing costs of operations. Natural disasters such as snowstorms, earthquakes, fires, and floods can cause physical damage to our and our suppliers’ facilities, equipment and inventories and result in production delays and inventory shortages and obsolescence and increase our impairment and costs for repairs and replacements. Additionally, these events can lead to power outages, communication interruptions, and transportation disruptions, further hampering business operations, including our warehousing and delivery activities. The occurrence of such events may also disrupt our market and dampen the demand for our products, thereby causing a decline in sales. As a result, our business, results of operations and financial condition may be materially and adversely affected.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Changes in the economic, political or social conditions, laws, regulations or government policies in the jurisdictions where we operate could have a material adverse effect on our business and operations.

During the Track Record Period, we conducted substantially all of our operations and generated substantially all of our revenue in China, and substantially all of our assets were located in China. Accordingly, our business, results of operations, financial condition and prospects are, to a significant extent, subject to economic, political and legal developments in China. In particular, macro-economic factors such as national, regional and local economic conditions, trade relationships, employment levels, consumer demand, individual income and discretionary spending, as well as other factors that have a general impact on China’s cosmetics market, could affect our performance.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Cracking Down 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 calls for, among others, enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC released the Trial Administrative Measures of 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 supporting guidelines, which came into effect on March 31, 2023. See “Regulatory Overview—Regulations Relating to Overseas Offering and Listing of Domestic Enterprises” for details. On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection, and the National Archives Administration of China published the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (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 “Archives Rules”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic companies, either in direct or indirect form, such domestic companies, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

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Given that the Overseas Listing Trial Measures and the Archives Rules were recently promulgated, their interpretation, application, and enforcement are still evolving and subject to change. We are closely monitoring how they will affect our operations and our future financing. The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt any future capital raising activities. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and [REDACTED] of the H Shares.

You should assess the legal protections you are entitled to under the legal system in China.

We are subject to the applicable laws and regulations of the countries and regions where we operate, which may be different and are constantly evolving. Our business and operations in China are subject to primarily written statutes, and prior court decisions offer limited precedential value. The limited number of court judgments and their non-binding nature on subsequent cases may lead to unpredictable dispute resolution outcomes, potentially affecting legal protection available to us and [REDACTED]. Furthermore, we cannot assure you that we can predict the effect of future legal developments in countries and regions where we operate in and/or expand to, including the promulgation of new laws and changes in existing laws. Lengthy legal proceedings may incur significant costs, divert our resources, and negatively affect our management’s focus on strategic planning and execution, which may materially and adversely impact our operational efficiency and overall business performance.

Governmental supervision of currency conversion, and management of the remittance of Renminbi into and out of China, may limit our ability to pay dividends and other obligations, and adversely affect the value of your [REDACTED].

The PRC government imposes supervision on the convertibility of Renminbi into foreign currencies. Substantially all of our transactions are denominated in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency denominated obligations. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as direct investments, repayment of loans denominated in foreign currencies, repatriation of investments and investments in securities outside of China. Failure to obtain approval from or complete registration with competent government authorities related to overseas direct investments may result in cessation of the implementation of relevant projects, management of the remittance of Renminbi into or out of China, or even legal or administrative liabilities. If we cannot obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further adjusting the remittance of Renminbi into or out of China.

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Failure to comply with rapidly evolving governmental regulations and other legal obligations concerning data protection and cybersecurity may materially and adversely affect our business, as we routinely collect, store and use data during the conduct of our business.

We are subject to various regulatory requirements relating to cybersecurity and data privacy in the PRC, including the PRC Data Security Law (中華人民共和國數據安全法) and the Cybersecurity Law of PRC (中華人民共和國網絡安全法). We are required to ensure that our data processing activities are carried out in a lawful, legitimate, specific and clear manner. With the prior consent of our consumers, we collect and maintain certain consumer information during the ordinary course of business, strictly to the extent necessary for the sale and delivery of our products and the provision of related services. See “Business—Data Security and Privacy.” However, we may still incur expenses to comply with laws and regulations relating to data privacy, data security and consumer protection, as well as relevant industry standards and contractual obligations.

Regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. We may also be subject to additional or new laws and regulations regarding the protection of personal information and important data or privacy related matters in connection with our methods for data collection, analysis, storage and use. If we are unable to comply with the applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage customers from purchasing our products and subject us to significant legal liabilities.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our reputation, business, results of operations and financial condition. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. Further adjustments or changes to PRC tax laws and regulations might have an adverse effect on our business, results of operations and financial condition.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the “IIT Law”) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax issued by the MOF and SAT (財政部、國家稅務總局關於個人所得稅若干政策問題的通知) (Cai Shui Zi [1994] No. 020) on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares.

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However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi [1998] No. 61) issued by the MOF and SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions had expressly provided that individual income tax shall be levied non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, the PRC tax authorities may change these practices, which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a rate of 10%. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ approval. For details, see “Regulatory Overview—Regulations Relating to Taxation” and “Appendix III—Taxation and Foreign Exchange” to this document.

Despite the arrangements mentioned above, there may be adjustments in the interpretation and implementation of applicable PRC tax laws and regulations by the competent tax authorities, which may adversely affect the value of your [REDACTED] in our H Shares.

You may have limited resources in effecting service of legal process or enforcing foreign judgments against us, and our Directors and management.

We are a company incorporated under the PRC laws, and substantially all of our assets and subsidiaries are currently located in China. Substantially all of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be difficult or impossible for you to effect service of process upon us or these individuals, or to bring an action against us or against these individuals in the event that you believe your rights have been infringed under the applicable securities laws or otherwise.

On January 14, 2019, the Supreme People’s Court of the PRC and the government of Hong Kong Special Administrative Region 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 took 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 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 mainland China and Hong Kong court.

RISK FACTORS

There is no assurance whether and when we will pay dividends, which is subject to restrictions under PRC law.

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under applicable accounting standards less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable our Company to make dividend distributions to its shareholders in the future, including periods for which our Company’s financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under the IFRS Accounting Standard in certain respects, our Company may not have distributable profits as determined under PRC GAAP, even if it has profits for that year as determined under the IFRS Accounting Standard, or vice versa. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. Restrictions on dividend payment could have a negative impact on our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

RISKS RELATING TO THE [REDACTED]

An active [REDACTED] market for our H Shares may not develop or be sustained.

Prior to the completion of the [REDACTED], there has been no public market for our H Shares. We cannot assure you that an active [REDACTED] market for our H Shares with adequate liquidity will develop or be sustained following the completion of the [REDACTED]. The initial [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our H Shares will be [REDACTED] following the completion of the [REDACTED]. The market price of our H Shares may drop below the initial [REDACTED] at any time following the [REDACTED].

We have applied to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the H Shares (including any H Shares which may be issued pursuant to the exercise of the [REDACTED]). A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] market for the H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the H Shares will not decline following the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected.

The [REDACTED] and [REDACTED] volume of our H Shares may be volatile, which could lead to substantial losses to [REDACTED].

The [REDACTED] and [REDACTED] volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the [REDACTED] and [REDACTED] volume of our H Shares. In addition to market and industry factors, the [REDACTED] and [REDACTED] volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our customers and suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

RISK FACTORS

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the price of our Shares and our ability to raise additional capital in the future.

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

While [REDACTED] shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares they [REDACTED] (except as disclosed in “Information about this Document and the [REDACTED]—Restrictions on [REDACTED] and [REDACTED] of the [REDACTED]”), they may have existing arrangements or agreements to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [REDACTED] Date.

Any sale of the H Shares [REDACTED] by such [REDACTED] pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the [REDACTED] volume of our H Shares.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities 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] consolidated net tangible asset value. We cannot assure you that if we were to immediately liquidate after the [REDACTED], any assets will be distributed to Shareholders after the creditors’ claims. To expand our business, we may consider offering and issuing additional Shares or other equity securities in the future. Such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders. In addition, purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares or other equity securities in the future at a price which is lower than the net tangible asset value per Share at that time.

RISK FACTORS

Certain facts, forecasts and statistics contained in this document are derived from various official or third-party sources and may not be accurate, reliable, complete or up to date.

We have derived certain information and statistics in this document, particularly the section headed “Industry Overview,” from the CIC report, which was commissioned by us, and from various official government publications and other publicly available publications provided by the PRC government, industry associations, independent research institutes and other third-party sources. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and, therefore, we cannot assure you as to the accuracy and reliability of such information and statistics, which may not be consistent with other information compiled inside or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such information or statistics.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the [REDACTED] for H Shares and [REDACTED] volume could decline.

The [REDACTED] market for our H Shares will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Shares, the market price for our H Shares would likely decline.

If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price of or [REDACTED] volume for our H Shares to decline.

Our Controlling Shareholders have significant influence over our Company, and their interests may not be aligned with the interests of our other Shareholders.

Immediately upon the completion of the [REDACTED], without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED] and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme, our Controlling Shareholders will collectively control approximately [REDACTED]% of the voting power. As a result, our Controlling Shareholders will, through their voting power at the Shareholders’ meetings, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, our Board structure and management, and other corporate actions. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

During the Track Record Period, substantially all of our revenue and expenditures were denominated in Renminbi, and substantially all of our financial assets were also denominated in Renminbi. Any

RISK FACTORS

significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our H Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including [REDACTED] from the [REDACTED], as Renminbi is the functional currency of our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

You should read the entire document carefully and only rely on the information included in this document to make your [REDACTED] decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our H Shares or the [REDACTED].

There had been, prior to the publication of this document, and 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]. We have not authorized the disclosure of any information concerning the [REDACTED] in the press or 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 [REDACTED] are cautioned to make their decisions on the basis of the information contained in this document only and should not rely on any other information.

WAIVERS AND EXEMPTIONS

In preparation for the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO PRESENCE OF MANAGEMENT IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Pursuant to Rule 19A.15 of the Listing Rules, the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

Since the business operations of our Group are managed and conducted outside of Hong Kong, and all of the executive Directors of our Company ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules, subject to the following conditions. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (1) Authorized representatives: we have appointed Mr. Yao Zhenan (姚哲男) and Mr. Huang Zhou (黃舟), as our authorized representatives (“Authorized Representatives”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. The Company will also inform the Stock Exchange promptly in respect of any change in the Authorized Representatives. See “Directors and Senior Management” for more information about our Authorized Representatives;
- (2) Directors: to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers and e-mail addresses, to the extent possible) of each of our Directors such that the Authorized Representatives would have the means for contacting all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that any Director expects to travel or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon request of the Stock Exchange;

WAIVERS AND EXEMPTIONS

- (3) Compliance advisor: we have appointed Rainbow Capital (HK) Limited as our compliance advisor (the “Compliance Advisor”) upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] Date and ending 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] Date. The Compliance Advisor will have access at all times to our Authorized Representatives, the Directors and other senior management and act as the additional channel of communication with the Stock Exchange and answer enquiries from the Stock Exchange. The contact details of the Compliance Advisor have been provided to the Stock Exchange. We will also inform the Stock Exchange promptly in respect of any change in the Compliance Advisor; and
- (4) Hong Kong legal advisor: we will retain a Hong Kong legal advisor to advise us on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the [REDACTED].

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual, who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing “relevant experience,” the Stock Exchange will consider the individual’s:

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

WAIVERS AND EXEMPTIONS

Our Company has appointed Mr. Huang Zhou (黃舟) (“Mr. Huang”) as one of our joint company secretaries. Mr. Huang possesses relevant understanding and knowledge relating to the business operations, relevant experience in capital market and corporate culture of our Group. In his capacity as the vice president, financial director, Board secretary and joint company secretary of our Company, Mr. Huang has actively participated in the preparation of the application for the [REDACTED] and possesses experience in matters relating to our corporate governance and investor relations affairs. Having considered Mr. Huang’s expertise and backgrounds, our Directors consider that Mr. Huang is capable of discharging the functions of a company secretary and is suitable to perform such role.

As Mr. Huang currently does not possess the qualifications under Rule 3.28 of the Listing Rules, and may not be able to fulfill the requirements of the Listing Rules on his own, we have appointed Ms. Ye Jiahong (叶嘉紅) (“Ms. Ye”), an associate member of both The Hong Kong Chartered Governance Institute in Hong Kong and The Chartered Governance Institute in the United Kingdom, who is qualified under Rule 3.28 of the Listing Rules to act as the other company secretary and to work closely with and provide assistance to Mr. Huang for an initial period of three years commencing from the [REDACTED] Date.

The following arrangements have been, or will be, put in place to assist Mr. Huang in acquiring the qualifications and experience as the joint company secretaries of our Company required under Rules 3.28 and 8.17 of the Listing Rules:

- (1) In the course of the preparation of the application for the [REDACTED], Mr. Huang has been provided with a memorandum and has attended a training seminar on the respective obligations of our Directors and senior management and our Company under the relevant Hong Kong laws and the Listing Rules provided by our Hong Kong legal advisors.
- (2) In addition to the minimum training requirements under Rule 3.29 of the Listing Rules, our Company will ensure that Mr. Huang continues to have access to relevant training and support to familiarize himself with the Listing Rules and the duties of a company secretary of an issuer [REDACTED] on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, our Company will ensure that Mr. Huang will seek and have access to the advice from our Hong Kong legal advisors and other professional advisors as and when required.
- (3) Ms. Ye will assist Mr. Huang to acquire the “relevant experience” as required under Note 2 to Rule 3.28 of the Listing Rules and to discharge their duties as company secretaries. Mr. Huang will be assisted by Ms. Ye for an initial period of three years commencing from the [REDACTED] Date. As part of the arrangement, Ms. Ye will act as one of the joint company secretaries and communicate regularly with Mr. Huang on matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to our Company. She will also assist Mr. Huang in organizing Board meetings and Shareholders’ meetings as well as other matters of our Company which are incidental to the duties of a company secretary.
- (4) Our Company has appointed the Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as our additional channel of communication with the Stock Exchange and provide professional guidance and advice to us and our joint company secretaries as to compliance with the Listing Rules and all other applicable laws and regulations.

WAIVERS AND EXEMPTIONS

We have applied to the Stock Exchange for, and the Stock Exchange has [granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Ye ceases to provide such assistance or ceases to meet the requirements under Rule 3.28 of the Listing Rules, or if there are material breaches of the Listing Rules by our Company during the three-year period from the [REDACTED] Date. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Huang, having had the benefit of Ms. Ye’s assistance for three years, will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See “Directors and Senior Management” for the biographical details of Mr. Huang and Ms. Ye.

WAIVER AND EXEMPTION IN RESPECT OF THE PRE-[REDACTED] SHARE INCENTIVE SCHEME

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribe certain disclosure requirements in relation to the Pre-[REDACTED] Share Incentive Scheme (the “Pre-[REDACTED] Share Incentive Option Requirements”):

- (1) Rule 17.02(1)(b) of the Listing Rules stipulates that all material terms of a share scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding Share Incentives granted under the Pre-[REDACTED] Share Incentive Scheme and their potential dilution effect on the shareholdings upon the [REDACTED] as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options granted under the Pre-[REDACTED] Share Incentive Scheme;
- (2) paragraph 27 of Appendix D1A to the Listing Rules requires our Company to set out in this [REDACTED] document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and
- (3) paragraph 10 of Part 1 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that our Company shall disclose, inter alia, the number, description and amount of any shares or debentures of our Company which may be subscribed for by any person by virtue of an option or a right to acquire an option, together with the particulars of the option, i.e. (i) the period for which the option is exercisable; (ii) the price to be paid for the subscription for the shares or debentures pursuant to the option; (iii) the consideration, if any, paid or to be paid for the acquisition of the option, or the right to acquire the same; and (iv) the name and address of the person to whom the option is granted or who is entitled to receive the option or, in the case of existing shareholders or debenture holders, the document must specify the shares or debentures.

Pursuant to paragraph 6 of Chapter 3.6 of the Guide, the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules and (ii) the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the options and certain grantees in this document on the ground that the waiver

WAIVERS AND EXEMPTIONS

and the exemption will not prejudice the interest of the [REDACTED] public and strict compliance with the Share Option Disclosure Requirements would be unduly burdensome for our Company for the following reasons:

- (a) as of the Latest Practicable Date, we have granted outstanding options to a total of 112 grantees under the Pre-[REDACTED] Share Incentive Scheme to acquire an aggregate of 226,250 Shares (or 1,131,250 Shares after the Share Subdivision), representing approximately [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme). As of the Latest Practicable Date, among all the grantees, one grantee is our Director, one grantee is our senior management who is not our Director and the remaining 110 grantees under the Pre-[REDACTED] Share Incentive Scheme are employees of the Group, all of whom are not connected persons of the Company.
- (b) it would be unduly burdensome to disclose in this document full details of all the options granted by us to each of the grantees as required under the Share Option Disclosure Requirements, which would significantly increase the cost and time required for information compilation and document preparation for strict compliance with such disclosure requirements. For example, the Company would need to collect and verify the addresses of grantees to meet the disclosure requirement.
- (c) material information on the options has been disclosed in this document to provide prospective [REDACTED] with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their [REDACTED] decision, and such information includes:
 - (i) a summary of the principal terms of the Pre-[REDACTED] Share Incentive Scheme;
 - (ii) the aggregate number of Shares subject to the options and the percentage of our Shares of which such number represents;
 - (iii) the dilutive effect and the impact on [REDACTED] per [REDACTED] upon full exercise of the options immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme);
 - (iv) full details of the options granted to Directors and our senior management and other connected persons (if any), on an individual basis, including all the particulars required under the Share Option Disclosure Requirements;
 - (v) with respect to the options granted to other grantees (other than those referred to in (iv) above), the number of such grantees and the number of Shares subject to the options, the consideration paid and the exercise period and the exercise price will be disclosed in this document; and
 - (vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively;

WAIVERS AND EXEMPTIONS

- (d) the 110 grantees who are not Directors, members of the senior management or connected persons of the Company, have been granted options under the Pre-[REDACTED] Share Incentive Scheme to acquire an aggregate of 209,150 Shares (or 1,045,750 after the Share Subdivision), which is not material in the circumstances of our Company, and the exercise in full of such options will not cause any material adverse change in the financial position of our Company; and
- (e) a full list of all the grantees containing all the particulars as required under the Share Option Disclosure Requirements will be made available for physical public inspection in accordance with “Documents delivered to the Registrar of Companies in Hong Kong and Available on Display— 3. Document Available for Inspection” in Appendix VII of this document.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application and the non-disclosure of the required information will not prejudice the interests of the [REDACTED] public.

The Stock Exchange [has granted] to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules with respect to the options granted under the Pre-[REDACTED] Share Incentive Scheme on the condition that:

- (a) on an individual basis, full details of the options granted under the Pre-[REDACTED] Share Incentive Scheme to each of the Directors, members of the senior management and other connected persons of the Company will be disclosed in the section headed “Statutory and General Information—Pre-[REDACTED] Share Incentive Scheme” in Appendix VI as required under the applicable Share Option Disclosure Requirements;
- (b) in respect of the options granted under the Pre-[REDACTED] Share Incentive Scheme to grantees other than those set out in (a) above, disclosure will be made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being (i) 1 to 200,000 Shares, (ii) 200,001 to 400,000 Shares and (iii) over 400,000. For each lot of Shares, the following details are disclosed in this document, including (1) the number of the grantees other than those set out in (a) above and the number of Shares subject to the options, (2) the consideration paid, and (3) the exercise period and the exercise price;
- (c) the number of Shares underlying the outstanding options and the percentage of the Company’s total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in this document;
- (d) the dilutive effect and impact on [REDACTED] per [REDACTED] upon the full exercise of the options will be disclosed in the section headed “Statutory and General Information—Pre-[REDACTED] Share Incentive Scheme” in Appendix VI to this document;
- (e) a summary of the major terms of the Pre-[REDACTED] Share Incentive Scheme will be disclosed in the section headed “Statutory and General Information—Pre-[REDACTED] Share Incentive Scheme” in Appendix VI to this document;
- (f) the particulars of this waiver will be disclosed in this document;

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- (g) a full list of all the grantees containing all the particulars as required under the applicable Share Option Disclosure Requirements will be made available for physical public inspection in accordance with “Documents delivered to the Registrar of Companies in Hong Kong and Available on Display— 3. Document Available for Inspection” in Appendix VII of this document; and
- (h) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The above is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Chapter 3.6 of the Guide.

The SFC [has granted] to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the options granted under the Pre-[REDACTED] Share Incentive Scheme exempting the Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) on an individual basis, full details of the options granted under the Pre-[REDACTED] Share Incentive Scheme to each of the Directors, members of the senior management and other connected persons of the Company, will be disclosed in the section headed “Statutory and General Information—Pre-[REDACTED] Share Incentive Scheme” in Appendix VI to this document as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted under the Pre-[REDACTED] Share Incentive Scheme to grantees other than those referred to in (a) above, disclosure will be made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being (i) 1 to 200,000 Shares, (ii) 200,001 to 400,000 Shares, and (iii) over 400,000 Shares. For each lot of Shares, the following details are disclosed in this document, including (1) the aggregate number of the grantees and the number of Shares subject to the options granted to them under the Pre-[REDACTED] Share Incentive Scheme, (2) the consideration paid for the grant of the options under the Pre-[REDACTED] Share Incentive Scheme, and (3) the exercise period and the exercise price for the options granted under the Pre-[REDACTED] Share Incentive Scheme;
- (c) a full list of all the grantees containing all the particulars as required under the applicable Share Option Disclosure Requirements will be made available for physical public inspection in accordance with “Documents delivered to the Registrar of Companies in Hong Kong and Available on Display— 3. Document Available for Inspection” in Appendix VII of this document; and
- (d) the particulars of this exemption will be disclosed in this document and that this document will be issued on or before [REDACTED]. Further details of the Pre-[REDACTED] Share Incentive Scheme are set forth in the section headed “Statutory and General Information—Pre-[REDACTED] Share Incentive Scheme” in Appendix VI to this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yao Zhenan (姚哲男)	Room 1508, Building C Xichengyazhu Residential Quarter Xinhu Road, Xin'an Street Bao'an District Shenzhen Guangdong Province PRC	Chinese
Ms. Wang Yang (汪洋)	Room 1508, Building C Xichengyazhu Residential Quarter Xinhu Road, Xin'an Street Bao'an District Shenzhen Guangdong Province PRC	Chinese
Dr. Shu Peng (舒鹏)	Room 1214, Building A Chuangzhi Tiandi Building South Keji 1st Road Nanshan District Shenzhen Guangdong Province PRC	Chinese
Non-executive Director		
Mr. Wu Zeyuan (吳澤源) (also known as Mr. Wu Xinhong (吳欣鴻))	Flat 18A, 233 Prince Edward Road West Ho Man Tin Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Independent non-executive Directors		
Mr. Zhong Xiaoming (鍾曉明)	Room 601, Unit 4 No. 31 Lane 3, Lao Zhe Da Heng Road Shangcheng District Hangzhou Zhejiang Province PRC	Chinese
Dr. Chan Yee Wah (陳綺華)	10A, Tower 2, The Zumurud No. 204, Argyle Street Kowloon Hong Kong	Chinese
Dr. Zhao Hao	1321 Upland Dr, Apt 18653 Houston, Texas United States	American

Further information is set out in the section headed “Directors and Senior Management” in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisors to the Company

As to Hong Kong law and U.S. law:

Baker & McKenzie

14/F, One Taikoo Place

979 King’s Road

Quarry Bay

Hong Kong

As to PRC law:

Jingtian & Gongcheng

34/F, Tower 3

China Central Place

77 Jianguo Road

Chaoyang District

Beijing

PRC

Legal Advisors to the Joint Sponsors and the [REDACTED]

As to Hong Kong law:

Freshfields

55/F, One Island East

Taikoo Place, Quarry Bay

Hong Kong

As to PRC law:

Han Kun Law Offices

20/F, Kerry Plaza Tower 3

1-1 Zhongxinsi Road

Futian District

Shenzhen

Guangdong Province

PRC

Auditors and Reporting Accountants

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditors

27/F, One Taikoo Place

979 King’s Road

Quarry Bay

Hong Kong

Industry Consultant

China Insights Industry Consultancy Limited

10/F Block B

Jing’an International Center

88 Puji Road

Jing’an District

Shanghai

PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office in the PRC

Room 201, Building A
No.1 Qianwan 1st Road
Shenzhen
Guangdong Province
PRC

**Headquarters and Principal Place of
Business in the PRC**

Floor 19, Li-Ning Center
9996 Shennan Avenue
Nanshan District
Shenzhen
Guangdong Province
PRC

Principal Place of Business in Hong Kong

31/F., Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Company’s Website

www.hbn.cn

*(the information contained on the website does
not form part of this document)*

Joint Company Secretaries

Mr. Huang Zhou (黃舟)

Floor 19, Li-Ning Center
9996 Shennan Avenue
Nanshan District
Shenzhen
Guangdong Province
PRC

Ms. Ye Jiahong (叶嘉紅)

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

CORPORATE INFORMATION

Authorized Representatives

Mr. Yao Zhenan (姚哲男)
Room 1508, Building C
Xichengyazhu Residential Quarter
Xinhu Road, Xin'an Street
Bao'an District
Shenzhen
Guangdong Province
PRC

Mr. Huang Zhou (黃舟)
Floor 19, Li-Ning Center
9996 Shennan Avenue
Nanshan District
Shenzhen
Guangdong Province
PRC

Audit Committee

Dr. Chan Yee Wah (陳綺華) (*Chairperson*)
Dr. Zhao Hao
Mr. Zhong Xiaoming (鍾曉明)

Remuneration and Appraisal Committee

Dr. Chan Yee Wah (陳綺華) (*Chairperson*)
Mr. Yao Zhenan (姚哲男)
Ms. Wang Yang (汪洋)
Dr. Zhao Hao
Mr. Zhong Xiaoming (鍾曉明)

Nomination Committee

Mr. Yao Zhenan (姚哲男) (*Chairperson*)
Ms. Wang Yang (汪洋)
Dr. Chan Yee Wah (陳綺華)
Dr. Zhao Hao
Mr. Zhong Xiaoming (鍾曉明)

Compliance Advisor

Rainbow Capital (HK) Limited
Office No. 710, 7/F
Wing On House
No. 71 Des Voeux Road Central
Central
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Principal Bank

China Merchants Bank Shenzhen Nanshan Kechuang Branch

162-169, F1, West Block, Coastal City
No. 34 Wenxin 4th Road
Nanshan District
Shenzhen
Guangdong Province
PRC

China Construction Bank Shenzhen Shangbu Branch

1-2/F, Rongchao City Spring Plaza
Futian District
Shenzhen
Guangdong Province
PRC

INDUSTRY OVERVIEW

This section and elsewhere in this document contain certain information, statistics and data which are derived from various official government publications and other publicly available publications, and a report commissioned by us and prepared by our industry consultant, CIC. We believe that the sources of the information in this section and elsewhere in this document 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 in any material respect or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of our or their respective directors, senior management, representatives or any other person involved in the [REDACTED] and no representation is given as to its accuracy.

SOURCE OF INFORMATION

CIC was commissioned to conduct research, provide an analysis of, and to produce a report on the cosmetics and skincare industry in China, and other related economic data, at a fee of RMB731,500. The commissioned report has been prepared by CIC independently, without the influence of the Company and other interested parties.

CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics of China, etc. The market projections in the commissioned report are based on the following key assumptions: (1) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (2) relevant key industry drivers are likely to drive the cosmetics and skincare market in China during the forecast period; and (3) there is no extreme force majeure or unforeseen set of industry regulations that would materially or adversely affect the market.

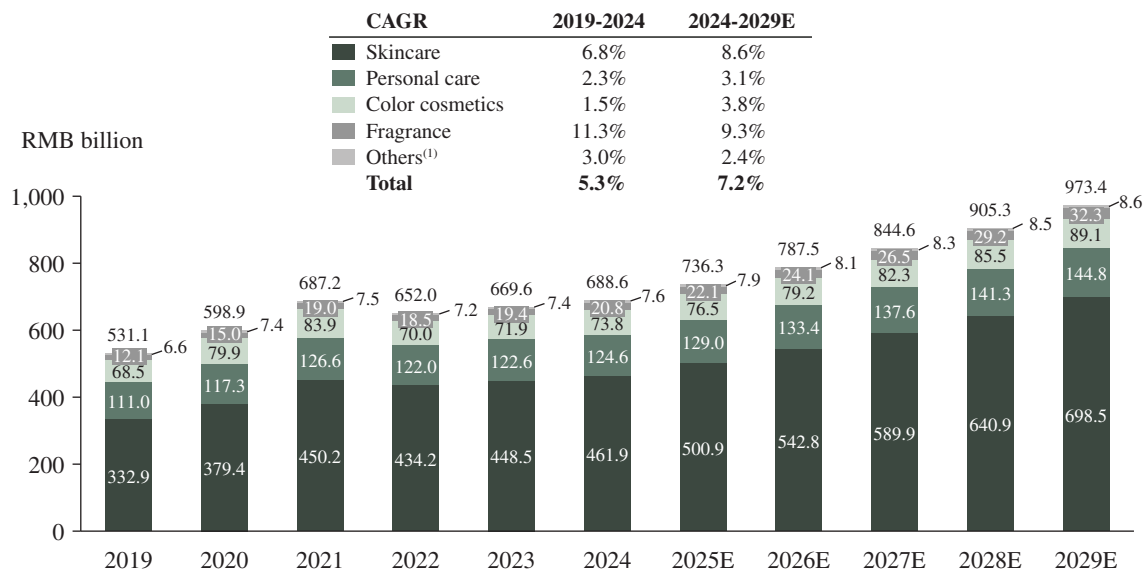
Our Directors confirm that after taking reasonable enquiries, there has been no material adverse change in the market information since the date of the CIC report which may qualify, contradict or have an impact on the information set out in this section. Except as otherwise mentioned, all data and forecasts in this section are extracted from the CIC report.

OVERVIEW OF CHINA’S COSMETICS INDUSTRY

Cosmetics are products applied to external parts of the human body such as skin, hair, and lips through topical application, aiming at cleansing, maintaining, beautifying and decorating personal appearance, with functions to maintain or improve appearance and condition. Based on product type, cosmetics mainly include skincare, personal care products, color cosmetics, fragrance and other products.

INDUSTRY OVERVIEW

Market Size of China’s Cosmetics Industry by Product Type, in Terms of Retail Sales Value, 2019-2029E



Note: 1. Others mainly include cross-category product sets.

Source: National Bureau of Statistics, General Administration of Customs of the PRC, the CIC report

China is one of the world’s major cosmetics consumption markets, with its market size increasing from RMB531.1 billion in 2019 to RMB688.6 billion in 2024, representing a CAGR of 5.3%. The market growth is mainly influenced by multiple factors, including increased emphasis by consumers on health and personal image, digital transformation across all channels, shifts in consumer purchasing decision-making, and a growing demand for functional, efficacy-oriented products.

Although China’s cosmetics market has grown steadily in recent years, per capita spending on cosmetics is still significantly lower than that in markets such as the United States and Europe. In 2024, annual per capita cosmetics spending in China is approximately RMB489.0, compared with that of approximately RMB2,386.4 and RMB1,640.9 in the United States and Europe respectively, showing that the overall per capita spending still has ample room to catch up with these markets. Driven by rising disposable income levels and the continued increase in demand for high-quality products, per capita spending on cosmetics in China is expected to show an upward trend. In addition, consumers are increasingly focused on product ingredients and efficacy, prompting cosmetics companies to increase their R&D investment and enhance formulations accordingly. At the same time, the development of digital channels such as social media, short videos and interactive marketing has provided more avenues for consumer engagement. Collectively, these factors are projected to propel the market size of China’s cosmetics industry to RMB973.4 billion by 2029, at a CAGR of 7.2% from 2024 to 2029.

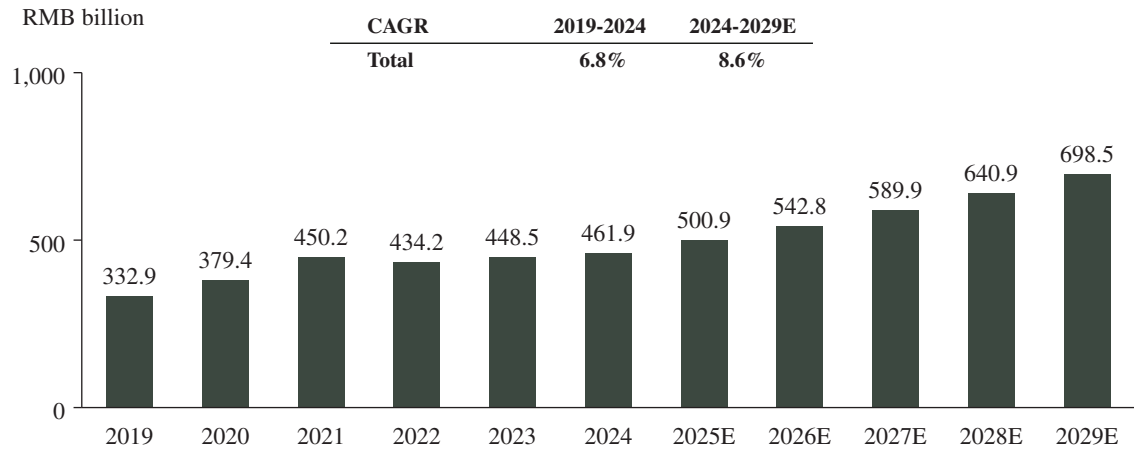
INDUSTRY OVERVIEW

OVERVIEW OF CHINA’S SKINCARE INDUSTRY

Skincare products refer to cosmetics products primarily applied to facial skin, usually used for cleansing, nourishing, moisturizing and improving the skin’s appearance such as anti-wrinkle, firming, spot removal, whitening and brightening. Among the various segments of China’s cosmetics market, skincare products have consistently held a significant market share and maintained a relatively rapid growth. In 2024, skincare products account for 67.1% of the cosmetics market size in terms of retail sales value in China. As skincare products play an increasingly important role in consumers’ daily care, this proportion is expected to further increase and reach 71.8% by 2029.

The skincare industry is one of the fastest-growing segments within the cosmetics market. The market size of the skincare industry in China increased from RMB332.9 billion in 2019 to RMB461.9 billion in 2024, at a CAGR of 6.8%. The sustained growth of such scale is driven by multiple factors. For instance, consumers are placing greater emphasis on skin health and daily skincare, with their demands extending from basic moisturizing and cleansing to specific functional areas such as anti-wrinkle, firming, spot removal, whitening, brightening and repair. Skincare brands’ enhanced R&D and validation capabilities have accelerated the development of high-efficacy, evidence-backed skincare products, improving consumer trust, purchase conversion and repurchase rates. Simultaneously, the rapid development of e-commerce channels and content platforms has significantly improved brand outreach and efficiency of consumer education, driving the continuous growth in market penetration of skincare products. It is expected that the market size of China’s skincare industry will continue to expand at a CAGR of 8.6% from 2024 to 2029 and reach approximately RMB698.5 billion by 2029.

Market Size of China’s Skincare Industry, in Terms of Retail Sales Value, 2019-2029E



Source: National Bureau of Statistics, General Administration of Customs of the PRC, the CIC report

China’s skincare industry has evolved over the past decades. Consumers’ demands for skincare products previously focused mainly on basic functions such as cleansing, sun protection and moisturizing. With the development of the internet and social media, consumers have gained broader access to skincare-related information, leading to heightened attention to key ingredients and efficacy. In 2020, the State Council issued the Regulations on the Supervision and Administration of Cosmetics, and the NPMA introduced and implemented the Cosmetic Efficacy Claims Evaluation Specification. Since then, the skincare industry has become increasingly standardized with respect to efficacy. Consumers’ skincare needs have expanded beyond basic functions to include various specialized efficacies such as anti-wrinkle, firming, spot removal, whitening and brightening. In addition to brand awareness, consumers place greater emphasis on the credibility of efficacy claims of skincare products when making purchase decisions.

INDUSTRY OVERVIEW

Research capability, ingredient innovation and data validation have become core determinants of brand competitiveness. Meanwhile, skincare companies have increasingly leveraged social media platforms to provide consumers with more product information on ingredients, efficacy claims and more, in a compliant manner, advancing the industry’s evolution towards greater standardization, transparency, and professionalism.

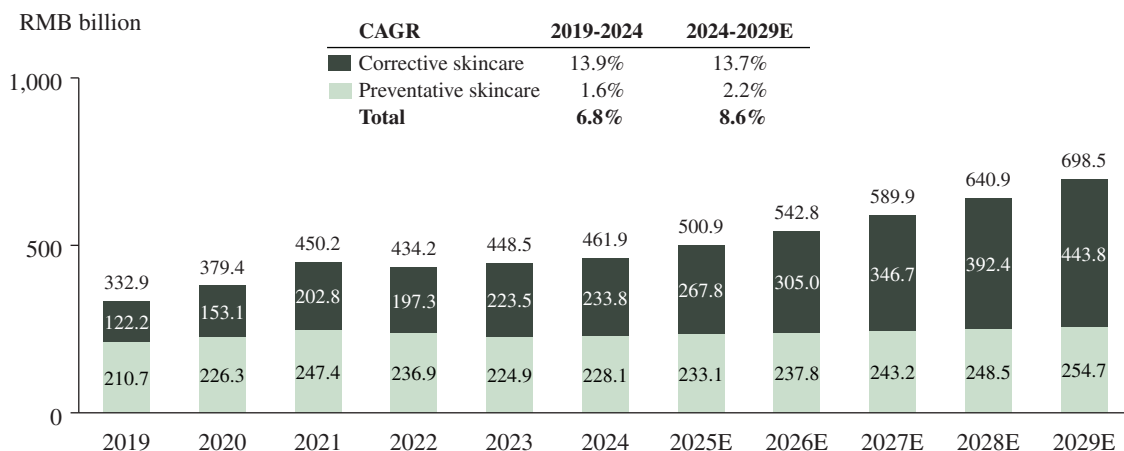
Overview of China’s Skincare Industry by Efficacy Type

According to the laws and regulations such as the Regulations on the Supervision and Administration of Cosmetics and the Cosmetic Efficacy Claims Evaluation Specification, all efficacy claims by cosmetic products sold in China must be backed by supporting evidence, with specific requirement for different types of efficacies.

Under the aforementioned regulatory framework, the regulated efficacies of skincare products include, among others, moisturizing, soothing, repair, sun protection, cleansing, anti-wrinkle, firming, spot removal and whitening. Depending on the purpose of the efficacy, skincare products can be classified into corrective skincare products and preventative skincare products.

- ***Corrective skincare products:*** Corrective skincare products aim to address specific skin concerns such as wrinkles, hyperpigmentation, dullness and laxity. Their major efficacies include corrective functions such as anti-wrinkle, firming, spot removal, whitening and brightening.
- ***Preventative skincare products:*** Preventative skincare products aim to maintain basic skin health, with major efficacies including cleansing, moisturizing, repair, soothing, sun protection and other basic care functions.

**Market Size of China’s Skincare Industry by Efficacy Type,
in Terms of Retail Sales Value, 2019-2029E**



Source: National Bureau of Statistics, General Administration of Customs of the PRC, the CIC report

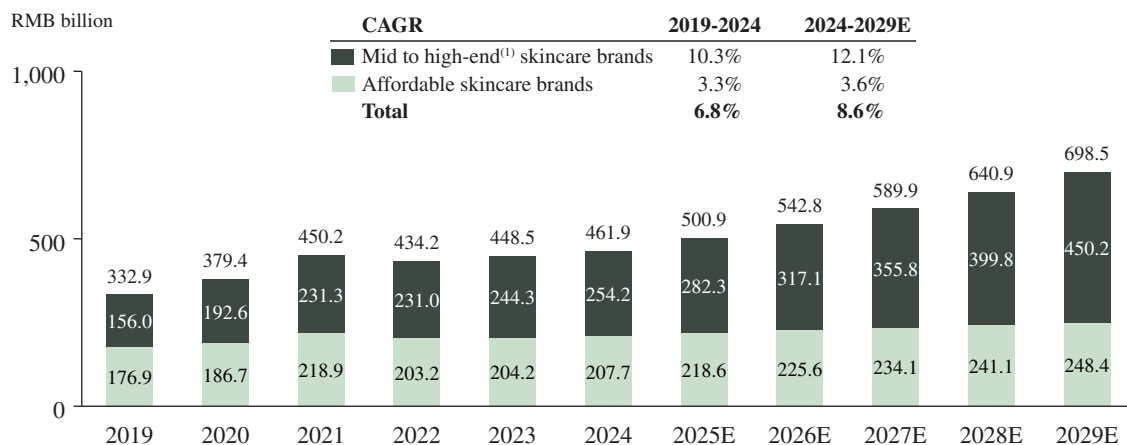
INDUSTRY OVERVIEW

Under the combined influence of changes on the demand side and improved capabilities on the supply side, corrective skincare products have shown notably stronger growth and are gradually becoming an important segment driving the expansion of the skincare industry. From the demand side, as consumer interest in corrective efficacies such as anti-wrinkle, firming, spot removal, whitening and brightening continues to rise, they also pay more attention to credibility of efficacy claims. From the supply side, the continuous improvement of active ingredient research and development capabilities, formulation technology, and efficacy validation systems has led to ongoing enhancements in the effectiveness and verifiability of corrective skincare products to better meet consumers’ demands for targeted skincare products. The market size of corrective skincare products increased from RMB122.2 billion in 2019 to RMB233.8 billion in 2024 at a CAGR of 13.9%. It is expected that by 2029, the market size of corrective skincare products will further expand to RMB443.8 billion at a CAGR of 13.7% from 2024 to 2029, which will exceed the growth of preventative skincare products over the same period, and its share of the total retail sales value of skincare products is projected to rise from approximately 50.6% in 2024 to approximately 63.5% in 2029.

In contrast, the market size of preventative skincare products increased from RMB210.7 billion in 2019 to RMB228.1 billion in 2024. The demand for preventative skincare products is relatively stable, and this segment’s share of the overall skincare market shows a slight declining trend.

Overview of China’s Skincare Industry by Price Range

**Market Size of China’s Skincare Industry by Price Range,
in Terms of Retail Sales Value, 2019-2029E**



Note: 1. Mid to high-end skincare brands are categorized based on their average product prices. Brands whose average retail prices exceed the industry average by more than 30% are classified as mid to high-end skincare brands.

Source: National Bureau of Statistics, General Administration of Customs of the PRC, the CIC report

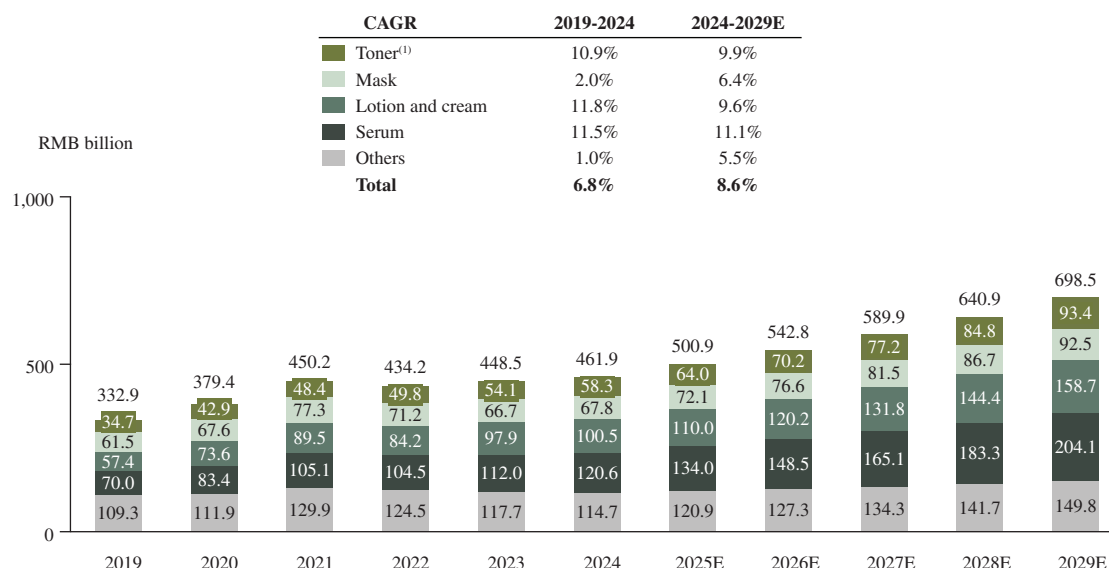
In recent years, in the overall skincare industry, mid to high-end skincare brands have maintained rapid growth, and their importance in the market structure continues to rise. These brands usually compete through relatively specialised and differentiated brand positioning, continuously investing in product research and development as well as efficacy differentiation to meet consumers’ skincare needs such as anti-wrinkle, firming, spot removal, whitening, brightening and repair. As consumers’ awareness of skincare increases, their attention to product ingredients and actual efficacy in purchasing decisions continues to grow, and their requirements for brand credibility correspondingly rise, with mid to high-end skincare brands performing well in this context. The market of mid to high-end skincare brands grew from RMB156.0 billion in 2019 to RMB254.2 billion in 2024, at a CAGR of 10.3%, and is expected to further increase to RMB450.2 billion in 2029, alongside a continued increase in market share.

INDUSTRY OVERVIEW

Meanwhile, affordable skincare brands continue to maintain a large market size and a relatively broad consumer base, providing stable support for the overall skincare industry. The market size of affordable skincare brands grew from RMB176.9 billion in 2019 to RMB207.7 billion in 2024, and is expected to reach RMB248.4 billion by 2029, showing a moderate growth outlook.

Overview of China’s Skincare Industry by Product Type

**Market Size of China’s Skincare Industry by Product Type,
in Terms of Retail Sales Value, 2019-2029E**



Note: 1. Toner products mainly include essence toners and refreshing toners.

Source: National Bureau of Statistics, General Administration of Customs of the PRC, the CIC report

By product type, skincare products mainly include toners, masks, lotions, creams, serums, as well as other products. Among these, serum, lotion and cream products feature high formulation complexity and more distinctive efficacies. Market size reached RMB120.6 billion for serums and RMB100.5 billion for lotions and creams in China in 2024. Both segments are expected to sustain growth, at CAGRs of 11.1% and 9.6% from 2024 to 2029, respectively. Toner products are usually used as the preliminary step of daily skincare routines. Their market size is expected to increase from RMB58.3 billion in 2024 to RMB93.4 billion in 2029 at a CAGR of 9.9%. Demand for masks and other product categories, such as cleansing and sunscreen products, remains broad and relatively fragmented, forming a stable base of market scale. Their market size has shown a moderate growth trend in recent years.

Evolution of Dermatological Skincare Brands in China’s Skincare Industry

As skincare consumption evolves from basic care to evidence-based efficacy selection, consumers are increasingly paying attention to product efficacy claims and placing greater emphasis on objective evidence such as ingredient mechanisms, trial data, and validation results. At the same time, stricter industry regulation and increased information transparency have prompted brands to continuously pursue higher standards in efficacy claims, product development, and validation processes. In this context, the concept of dermatological skincare has been on the rise to meet this growing demand, first in mature markets and now increasingly in China.

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From the perspective of international markets, dermatological skincare products fall under different regulatory classifications in different countries, and yet they are uniformly grounded in dermatological science and emphasize efficacy and safety validation. For instance, in Japan, dermatological skincare products are primarily categorized as quasi-drug cosmetics and have already developed into a relatively mature status. In terms of retail sales value, the market size of Japan’s quasi-drug cosmetics segment has grown at a faster rate than Japan’s overall cosmetics market, with its market share increasing from approximately 30% in 2019 to over 40% in 2024. In South Korea, such products are classified as functional cosmetics, with approval requirements regarding efficacy claims, ingredients, and efficacy evaluation methods. Although the United States does not have a separate regulatory category, dermatological skincare products have gained high recognition and penetration in the market.

As consumer demand for validated efficacy and safety continues to rise, the growing popularity of dermatological skincare products globally has been accompanied by the rapid emergence of dermatological skincare brands, with credibility increasingly built on evidence-backed efficacy claims and safety verification. Dermatological skincare brands usually (1) select ingredients and design formulations based on skin science; (2) develop products with the leadership or participation of dermatologists or doctors of medicine; (3) have the ability to develop active ingredient and perform laboratory verification; (4) establish systematic framework in formulation testing, clinical efficacy validation and safety assessments; and (5) further reinforce professional endorsement with experimental data in scientific publications. Dermatological skincare brands typically have product portfolios with different emphasis, with some focusing more on preventative skincare products such as high-performance moisturising and repair-oriented offerings as well as medical dressings, while others placing greater emphasis on corrective skincare products focusing on efficacies such as anti-wrinkle, firming, spot removal, whitening and brightening, supported by a systematic efficacy validation framework.

Drawing on the development experience of overseas markets, and driven by Chinese consumers’ increasing focus on skin health and demand for evidence-based products, dermatological skincare brands are expected to strengthen their R&D capabilities, efficacy validation, and professional outreach capabilities. They are growing faster than the industry average. The total retail sales value of the top 10 dermatological skincare brands in China increased from RMB15.0 billion in 2019 to RMB32.3 billion in 2024 at a CAGR of 16.7%, with their market share increasing from 4.5% to 7.0% over the same period in China’s skincare market.

Market drivers and future trends in China’s skincare industry

- ***Improved consumption demand and enhanced awareness of personal image management:*** As individual income levels rise and awareness of personal image management increases, consumers’ skincare needs are expanding beyond basic cleansing and moisturizing toward more targeted and multi-layered functional demands. Increasing emphasis on improving skin conditions and achieving long-term care effects is driving sustained growth in segments such as anti-wrinkle and whitening. Products with clearly defined efficacy positioning and formulations based on clinically supported active ingredients are expected to maintain rapid growth within the broader market. Moreover, consumers’ heightened focus on personalized skincare regimens tailored to their specific skin characteristics is prompting the industry players to provide customized recommendations and bundles of synergistic products.

INDUSTRY OVERVIEW

- ***Effectiveness-driven purchase decisions prompting stronger efficacy validation by brands:*** With the widespread dissemination of dermatological knowledge, consumers’ understanding of skincare ingredients, efficacy evaluation, and product assessment has significantly improved. As a result, their brand choices and purchasing decisions have gradually shifted toward greater emphasis on efficacy mechanisms, evidence-based validation, and the standardization of information disclosure. Against such background, the disclosure of efficacy information and validation capabilities have become important carriers of skincare brands’ professional image and trust endorsements. Accordingly, brands are placing greater emphasis on efficacy validation systems, with the scientific design of trials, data reliability, and compliance in validation processes gradually becoming key competitive factors.
- ***Technological innovation driving continuous enhancement of R&D capabilities and product competitiveness:*** Technological innovation continues to advance the industry’s capabilities in skin-mechanism research and active-ingredient development. Building on this foundation, brands are consistently increasing R&D investment across various stages, which drives improvement in product efficacy, safety management and consumer experience, and further enhances product differentiation capabilities, thereby supporting the brands’ mid to long-term competitiveness.
- ***Rapid development of online channels strengthening content dissemination and customer reach:*** The expansion of online channels has significantly enhanced the dissemination of product information and improved the sales conversion efficiency of skincare products. Social media further accelerates the spread of ingredient- and efficacy-related content, assisting consumers to make purchasing decisions. In this context, standardized scientific validation and disclosure reduce the information asymmetry, reinforce consumer trust, and support the continued growth of industry demand. Meanwhile, offline channels mainly focus on product experience, consultation services and customer relationship management. Over the long term, the integrated omni-channel model is expected to become a key development trend in China’s skincare market.
- ***Rapid rise of domestic brands:*** Domestic brands, by leveraging their deep understanding of local consumers’ skin characteristics, usage preferences, and more agile sales and marketing strategies, are starting to gain competitive advantages. Besides, through the use of content commerce, short videos, interactive marketing and social media channels, domestic brands continue to expand their coverage in major online sales scenarios. By retail sales value, the market share of domestic brands in China’s skincare market increased from 31.1% in 2019 to 49.0% in 2024, and is expected to further increase to 59.6% in 2029.
- ***Strengthened awareness of health and sustainability:*** Against the backdrop of the strengthened concept of healthy living, consumers are increasingly concerned about the safety, ingredient composition and environmental impact of skincare products. Meanwhile, their attention to eco-friendly materials, packaging design and production methods has gradually increased. ESG related concepts are influencing the direction of product development and the future development of the industry, and are driving the industry to continually develop in terms of safety and sustainability.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Competitive Landscape of China’s Skincare Industry

China’s skincare market is sizable and highly competitive, characterized by a fragmented landscape with a large number of market participants. In terms of retail sales value, the top 10 domestic brands accounted for a market share of approximately 12.5% in the skincare market in China in 2024. In terms of retail sales value in 2024, HBN ranked No. 10 among domestic skincare brands in China and No. 4 among mid to high-end domestic skincare brands. In terms of the retail sales value of corrective skincare products in 2024, HBN ranked No. 7 among domestic skincare brands in China.

Ranking of Top 10 Domestic Skincare Brands by Retail Sales Value in China, 2024

Ranking	Brand	Brand positioning by price range	Market share in skincare market in China, 2024
1	Brand A ⁽¹⁾	Mid to high-end	2.6%
2	Brand B ⁽²⁾	Affordable	1.5%
3	Brand C ⁽³⁾	Affordable	1.5%
4	Brand D ⁽⁴⁾	Mid to high-end	1.3%
5	Brand E ⁽⁵⁾	Affordable	1.2%
6	Brand F ⁽⁶⁾	Mid to high-end	1.2%
7	Brand G ⁽⁷⁾	Affordable	1.1%
8	Brand H ⁽⁸⁾	Affordable	0.8%
9	Brand I ⁽⁹⁾	Affordable	0.6%
10	HBN	Mid to high-end	0.5%
Top 10	/	/	12.5%

1. Brand A is a skincare brand founded in 2006 in China, which is owned by a publicly listed cosmetics company established in China in 2006;

2. Brand B is a skincare brand founded in 2003 in China, which is owned by a publicly listed cosmetics company established in China in 2002;

3. Brand C is a skincare brand founded in 2001 in China, which is owned by a private cosmetics company established in China in 2001;

4. Brand D is a skincare brand founded in 2010 in China, which is owned by a publicly listed biotechnology company established in China in 2010;

5. Brand E is a skincare brand founded in 1931 in China, which is owned by a private cosmetics company established in China in 1931;

6. Brand F is a skincare brand founded in 2011 in China, which is owned by a publicly listed biotechnology company established in China in 2000;

7. Brand G is a skincare brand founded in 2016 in China, which is owned by a private cosmetics company established in China in 2016;

8. Brand H is a skincare brand founded in 1994 in China, which is owned by a private cosmetics company established in China in 1994;

9. Brand I is a skincare brand founded in 2017 in China, which is owned by a publicly listed cosmetics company established in China in 2017.

Source: the CIC report

INDUSTRY OVERVIEW

Competitive Landscape of Dermatological Skincare Brands in China

In terms of the retail sales value of skincare products, HBN ranked No. 7 among all dermatological skincare brands in China in 2024, and No. 4 among domestic dermatological skincare brands.

Ranking of Top 10 Dermatological Skincare Brands in China
by Retail Sales Value of Skincare Products, 2024

Ranking	Brand	Brand Origin	Market share in skincare market in China, 2024
1	Brand D	Domestic	1.3%
2	Brand F	Domestic	1.2%
3	Brand J ⁽¹⁾	Foreign	0.9%
4	Brand K ⁽²⁾	Foreign	0.7%
5	Brand L ⁽³⁾	Foreign	0.6%
6	Brand I	Domestic	0.6%
7	HBN	Domestic	0.5%
8	Brand M ⁽⁴⁾	Foreign	0.5%
9	Brand N ⁽⁵⁾	Domestic	0.3%
10	Brand O ⁽⁶⁾	Domestic	0.3%
Top 10	/	/	7.0%

1. Brand J is a skincare brand founded in 1997 in the U.S., which is owned by a publicly listed cosmetics company established in France in 1909;

2. Brand K is a skincare brand founded in 1851 in the U.S., which is owned by a publicly listed cosmetics company established in France in 1909;

3. Brand L is a skincare brand founded in 1975 in France, which is owned by a publicly listed cosmetics company established in France in 1909;

4. Brand M is a skincare brand founded in 1990 in France, which is owned by a private pharmaceutical and cosmetics company established in France in 1962;

5. Brand N is a skincare brand founded in 2014 in China, which is owned by a private cosmetics company established in China in 2015;

6. Brand O is a skincare brand founded in 2003 in China, which is owned by a publicly listed daily chemical company established in China in 1898.

Source: the CIC report

INDUSTRY OVERVIEW

In terms of the retail sales value of corrective skincare products, HBN ranked No. 2 among dermatological skincare brands in China in 2024, and No. 1 among domestic dermatological skincare brands.

Ranking of Top 5 Dermatological Skincare Brands in China
by Retail Sales Value of Corrective Skincare Products, 2024

			Market share in corrective skincare market in China, 2024
Ranking	Brand	Brand Origin	
1	Brand J	Foreign	1.1%
2	HBN	Domestic	0.8%
3	Brand D	Domestic	0.7%
4	Brand K	Foreign	0.3%
5	Brand P ⁽¹⁾	Domestic	0.3%
Top 5	/	/	3.2%

1. Brand P is a skincare brand founded in 2018 in China, which is owned by a publicly listed biotechnology company established in China in 2000.

Source: the CIC report

Entry Barriers of China’s Skincare Industry

- **Raw material innovation and formulation development:** Market participants with strong R&D capabilities typically need sufficient laboratory resources and sustained research investment to develop and launch products supported by scientifically validated ingredients or technologies. Such participants continuously conduct foundational research on the screening, purification and delivery of active ingredients, alongside mechanism studies, to build reusable core ingredient systems. Applying these systems to products across multiple categories not only improves R&D efficiency but also ensures the consistency of product performance.
- **Quality assurance and systematic efficacy validation:** Skincare consumers prioritize product efficacy and safety, and brands must ensure consistent product quality via standardized quality management systems and a rigorous systematic efficacy validation framework. A robust validation framework, encompassing formulation testing, stability validation, *in vitro* tests and human clinical trials, serves as a cornerstone for brands to build credibility and foster lasting consumer trust. Skincare brands with systematic efficacy validation framework can ensure consistent performance across different consumption scenarios and are more likely to earn trust and recognition from professionals and consumers, especially under increasingly stringent regulatory environments.
- **Productization of scientific research results and design capability:** Skincare brands not only need to achieve individual research breakthroughs but also develop the systematic capabilities needed to translate such research achievements into scalable, market-ready products. Mature productization capabilities require companies to strike an effective balance between scientific validity, consumer experience, and market demand, ensuring that research advancements can be reliably transformed into commercial products.

INDUSTRY OVERVIEW

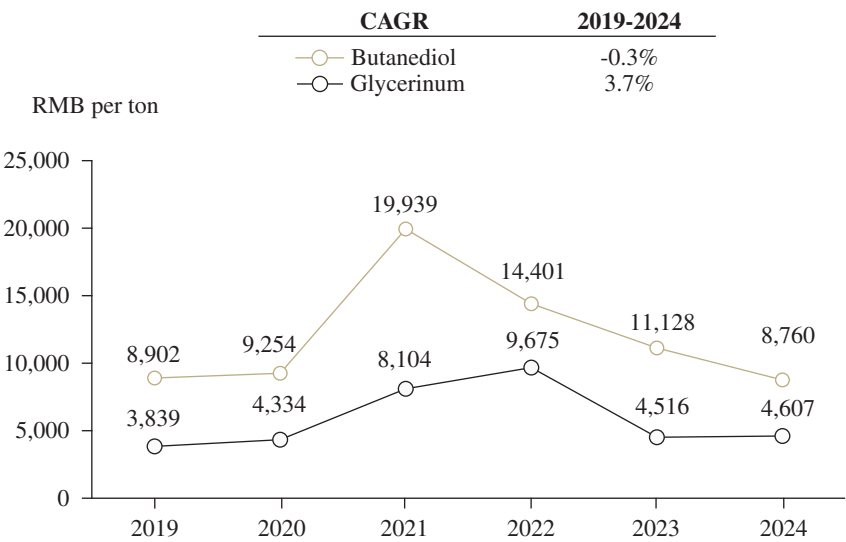
- ***Localized insights and product adaptation capability:*** Chinese consumers have distinct local characteristics in terms of living environment, skin features, usage habits and aesthetic preferences. Leading brands typically deepen their understanding of consumers’ skin concerns and real-life usage scenarios through long-term market research and consumer insight efforts, making targeted adjustments to ingredient selection, formulation design, and product presentation. Meanwhile, localized packaging design and marketing content help to enhance the products’ adaptability and acceptance among the target customers.
- ***Professional influence and unified image:*** Consumers’ perception of a skincare brand is largely shaped by its perceived professionalism and the coherence of its public image over time. Accordingly, market participants typically make sustained investments in brand positioning, consumer education and continuous content dissemination. By presenting data-driven efficacy results and updates on new research findings, they gradually establish a scientific, professional and sustainable brand image. At the same time, brands need to maintain consistency across touchpoints such as packaging and visual presentation, professional content expression and consumer experience, forming a relatively unified communication logic across different channels, thereby establishing a clear and recognizable brand image in consumers’ perception.
- ***Channel layout and consumer reach capability:*** Skincare brands are increasingly emphasizing content-led, data-driven channel operations. Competitive differentiation is concentrated in online content execution, channel management, and consumer education, with a focus on improving consumer reach and conversion efficiency across major online platforms. Brands with efficient multi-channel operations are able to reach consumer groups more extensively, thus, creating barriers for new entrants with limited channel resource or insufficient operational capabilities.
- ***Stable supply chain and end-to-end quality control:*** Skincare products have stringent demand on supply chain stability, particularly requiring the potency and stability of active ingredients to be maintained throughout the processes of raw material sourcing, manufacturing, storage, transportation and final delivery. Brands need to establish an end-to-end quality system that covers ingredient stability verification, manufacturing management, and batch consistency control to ensure the continuous and consistent efficacy presentation. Developing such system usually requires a long period of investment and operation verification.

INDUSTRY OVERVIEW

Cost Analysis of China’s Skincare Industry

The key chemical raw materials in skincare industry in China include glycerinum and butanediol, among others. Primarily serving as solvents in skincare products, glycerinum and butanediol are essential raw materials for the industry, and fluctuations in their procurement costs impact the production expenses of skincare manufacturers. The average price per ton of butanediol declined slightly from RMB8,902 in 2019 to RMB8,760 in 2024 after fluctuations, and the average price per ton of glycerinum increased from RMB3,839 in 2019 to RMB4,607 in 2024.

Average Price of Key Raw Materials in Skincare Industry in China, 2019-2024



Source: the CIC report

REGULATORY OVERVIEW

This section sets out summaries of certain aspects of PRC laws, regulations and policies, which are relevant to business operations of our Company.

REGULATIONS RELATING TO COSMETICS PRODUCTION AND SALES

According to Regulation on the Supervision and Administration of Cosmetics (化妝品監督管理條例) (Order No. 727 of the State Council of PRC), which became effective on January 1, 2021, and the Measures for the Supervision and Administration of Production and Operation of Cosmetics (化妝品生產經營監督管理辦法) which was issued on August 2, 2021 and became effective on January 1, 2022, whoever engages in the production of cosmetics within the territory of the PRC shall file an application for a cosmetics production license with the drug supervision and administration department of the people’s government of the province, autonomous region, or municipality directly under the Central Government at the place where it is located. Cosmetic registrants and recordation entities may produce cosmetics by themselves or by entrusting other enterprises. In the case of entrusted production of cosmetics, a cosmetic registrant or recordation entity shall entrust an enterprise that has obtained the corresponding cosmetics production license, and supervise the production activities of the entrusted enterprise to ensure that it produces cosmetics according to statutory requirements. Cosmetic manufacturers and distributors shall store and transport cosmetics in accordance with the provisions of relevant laws and regulations and the requirements indicated on cosmetic labels, and inspect on a regular basis and handle in a timely manner the deteriorated or expired cosmetics. The cosmetic distributors on the e-commerce platform shall disclose the information on the cosmetics they distribute in a comprehensive, truthful, accurate and timely manner. The content of cosmetics advertisements shall be authentic and legal. No cosmetic advertisement may expressly or impliedly indicate that the product has any medical effect, contain any false or misleading information, or deceive or mislead consumers. Where any cosmetics registrant or recordation entity finds any quality defect or other problem in the cosmetics that may endanger the human health, it shall immediately stop the production, recall the cosmetics that have been sold on the market, notify the relevant cosmetics operators and consumers to stop the operation and use, and record the situations of recall and notification. The cosmetics registrants or recordation entities shall take remedial measures, harmless disposal or destruction measures for the recalled cosmetics, and report the information of recall and disposal to the drug supervision and administration department of the people’s government of the province, autonomous region, or municipality directly under the central government at the place where it is located.

The cosmetics used for hair coloring, perming, spot removal and skin whitening, suncreening, and hair loss prevention, and the cosmetics with new efficacy claims are special cosmetics. The cosmetics other than special cosmetics are general cosmetics. Special cosmetics may not be produced unless they have been registered with the drug supervision and administration department of the State Council. Domestically produced general cosmetics shall be filed with the relevant drug supervision and administration departments. In addition, new cosmetic ingredients mean the natural or artificial ingredients that are used in cosmetics for the first time in the PRC. New cosmetic ingredients with functions such as preservation, sun protection, coloring, hair dyeing, and spot removal and whitening can only be used after being registered by the State Council’s drug supervision and management department; other new cosmetic ingredients should be filed with the State Council’s drug supervision and management department before being used.

On March 31, 2023, the NMPA released 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) which became effective on September 1, 2023. It requires the cosmetic operators operating through other online services to establish and execute a record-checking system for goods. The operators are also expected to fulfill their obligation to reveal the information about their 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

REGULATORY OVERVIEW

immediately and inform the relevant entity who made the registration or the filling. In addition, the operators should, in accordance with the relevant laws and regulations, store and transport their cosmetics, regularly check upon the cosmetics, and dispose of the ones that are deteriorated or have passed the expiry date.

According to the Cosmetic Production Quality Management Standard (化妝品生產質量管理規範), which became effective on July 1, 2022, cosmetic registrants, filers, and commissioned manufacturers shall be honest and self-disciplined, and establish a production quality management system in accordance with the requirements of this provision to realize the control and traceability of the whole process of cosmetic ingredients procurement, production, inspection, storage, sales and recall, and to ensure that the continuous and stable production of cosmetics comply with the quality and safety requirements.

According to the Safety and Technical Standards for Cosmetics (Version 2015) (化妝品安全技術規範(2015年版)), which became effective on December 1, 2016, the production of cosmetics shall comply with the requirements of the specifications for the production of cosmetics, and the production process of cosmetics shall be scientific and reasonable to ensure product safety.

According to the Measures for the Administration of Cosmetics Safety Risk Monitoring and Evaluation (化妝品安全風險監測與評價管理辦法) which was issued on April 9, 2025 and became effective on August 1, 2025, risk monitoring and evaluation shall prioritize the following factors that may impact cosmetic quality and safety: (1) substances that are prone to be added to cosmetics and may cause harm to human health; (2) substances in cosmetics that are prone to cause health hazards to key groups such as children; (3) risk substances that may be introduced into cosmetic ingredients or packaging materials or may be generated or introduced during production, storage, or transportation of cosmetics; (4) items involved in the development and revision of cosmetic standards; and (5) other items under special monitoring.

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.

Registration and Recordation of Cosmetics

According to the Measures for the Administration of Cosmetics Registration and Filing (化妝品註冊備案管理辦法), which was promulgated by the SAMR on January 7, 2021 and became effective on May 1, 2021, a registrant or recordation entity of cosmetics and new cosmetic ingredients shall, when applying for registration or undergoing recordation formalities, comply with the requirements of applicable laws, administrative regulations, compulsory national standards and technical specifications, and be responsible for the veracity and scientific of the materials submitted, including (but not limited to) compliance with the Regulations on the Administration of Registration and Filing of Cosmetics (化妝品註冊備案資料管理規定) (No. 32 [2021] of SFDA Announcement), Regulations on the Administration of Registration and Filing of New Cosmetic Ingredients (化妝品新原料註冊備案資料管理規定) (No. 31 [2021] of SFDA Announcement), Cosmetic Classification Rules and Catalogue (化妝品分類規則和分類目錄) (No. 49 [2021] of SFDA Announcement), Technical Guidelines for the Safety Assessment of Cosmetics (Version 2021) (化妝品安全評估技術導則(2021年版)) (No. 51 [2021] of the State Drug Administration Announcement), Cosmetic Efficacy Claims Evaluation Specification (化妝品功效宣稱評價規範) (No. 50 [2021] of State Drug Administration Announcement), which became effect on May 1, 2021, and Cosmetics Registration and Filing Inspection Work Specifications (化妝品註冊和備案檢驗工作規範) (No. 72 [2019] of the State Drug Administration Announcement), which became effective on September 3, 2019, and other requirements contained therein. Registrants and filers of cosmetics and new cosmetic ingredients shall fulfill their obligations of product registration or filing in accordance with the law, and shall be responsible for the quality and safety of cosmetics and new cosmetic ingredients.

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According to the Notice of the State Food and Drug Administration on the issuance of Regulations on the Acceptance of Applications for Administrative Licenses of Cosmetics ingredients (國家食品藥品監督管理局關於印發化妝品行政許可申報受理規定的通知), which was issued on December 25, 2009 and became effective on April 1, 2010, the applicant and the reporting unit in China shall apply for the administrative license of cosmetics in accordance with the requirements of relevant state laws, regulations, standards and norms, and be responsible for the information declared and be held liable for the corresponding legal responsibility. According to the Notice of the State Food and Drug Administration on Strengthening the Filing Management of Domestic Non-special Use Cosmetics (國家食品藥品監督管理局關於加強國產非特殊用途化妝品備案管理工作的通知), which was issued and became effective on April 3, 2009, the authorities shall improve the management of recorded product files and information, make fully use of the role of cosmetics filing information and investigate and handle violations of regulations in accordance with relevant provisions on the filing of products that do not comply with the relevant cosmetic health supervision and management of laws and regulations, standards and norms. Domestic non-special use cosmetics filing information shall be published in a timely manner. According to Cosmetics Registration and Filing Information Management Regulations (化妝品註冊備案資料管理規定), which was issued on February 26, 2021 and became effective on May 1, 2021, the registered or filed product inspection reports issued by the cosmetic registration and filing inspection agency, shall be in compliance with the Cosmetic Safety Technical Code (化妝品安全技術規範), the Cosmetics Registration and Filing Inspection Code of Practice (化妝品註冊和備案檢驗工作規範) and other relevant regulations.

REGULATIONS RELATING TO ADVERTISING

The Advertising Law of the PRC (中華人民共和國廣告法), which was promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”), on October 27, 1994 with effect on February 1, 1995, latest amended with immediate effect from April 29, 2021, regulates commercial advertising activities in the PRC and sets out the obligations of advertisers, advertising operators, advertising publishers, and advertisement endorser. Advertisers shall be responsible for the veracity of their advertisement content. The goods or services come with a gift in an advertisement shall specify the type, specification, quantity, period and method of such gift. Any advertiser in violation of the foregoing requirements will be ordered to stop publishing of advertisement, and a fine of not more than RMB100,000 may be imposed. Except for medical, pharmaceutical and medical machinery advertisements, no other advertisements shall involve illness treatment function, use medical jargon or jargon which misleads readers to confuse the promoted product with medicine or medical machinery. Any advertiser in violation of such requirements will be ordered to cease publishing such advertisements and imposed a heavy fine, the business license of the offender may be revoked in severe circumstances, and the relevant authorities may revoke the approval document for examination and refuse to accept applications submitted by such advertiser for one year.

The Measures for the Administration of Internet Advertising (互聯網廣告管理辦法) which was promulgated by the SAMR on February 25, 2023 with effect from May 1, 2023, regulates that in internet advertising activities, advertisers are responsible for the authenticity of the content of advertisements and all online advertisements must be marked “Advertisement” so that viewers can easily identify them as such.

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) (the “Guiding Opinions”). 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

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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 April 16, 2021, the CAC and other six PRC regulatory authorities jointly issued the Administrative Measures for Online Live-Streaming Marketing (Trial Implementation) (網絡直播營銷管理辦法(試行)), effective on May 25, 2021. According to these measures, operators of live studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall comply with laws and regulations, follow public order and good customs, and truthfully, accurately and comprehensively release information on goods or services. On March 25, 2022, the CAC, the SAT and the SAMR jointly issued the Circular on Opinions on Further Regulating the Profit-making Behavior of Online Live Streaming to Promote the Healthy Development of the Industry (國家互聯網信息辦公室、國家稅務總局、國家市場監督管理總局印發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的通知). 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.

REGULATIONS RELATING TO OVERSEAS INVESTMENT

Foreign-invested Enterprises

According to the Foreign Investment Law of the People’s Republic of China (中華人民共和國外商投資法) implemented by the NPC on January 1, 2020, China implements the pre-entry national treatment and the negative list management system to foreign investments. The pre-entry national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; and the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list.

Foreign investors shall not invest in any field prohibited by the negative list and shall meet the investment conditions stipulated for any field restricted by the negative list, while for foreign investments outside the negative list, it shall be administered under the principle of equal treatment to domestic and foreign investment. The State establishes a foreign investment information reporting system.

Overseas Investment

The Administrative Measures on Overseas Investments Management (境外投資管理辦法) was promulgated by the MOFCOM on September 6, 2014 and implemented on October 6, 2014. “Overseas investment,” as defined by the Administrative Measures on Overseas Investment Management (境外投資管理辦法), means ownership of a non-financial enterprise through new establishment, merger and acquisition or any other methods overseas by an enterprise established in the PRC pursuant to the law or obtaining ownership, controlling stake, business management right and other interests in an existing non-financial enterprise. Overseas investments involving sensitive countries and regions or sensitive industries are subject to the approval of the competent authorities. All other overseas investments are subject to filing administration. Local enterprises file with the provincial commercial administration authorities where they are located. Qualified enterprises are put on record and obtain the “overseas investment certificate for enterprise” from the relevant provincial commercial administration authorities.

The Administrative Measures for the Outbound Investment by Enterprises (企業境外投資管理辦法) was promulgated by the NDRC on December 26, 2017 and implemented on March 1, 2018. “Outbound investment,” as defined therein, means the investment activities to obtain overseas ownership, right of control, business management right, and other related rights and interests by an enterprise located within the territory of the PRC, either directly or via an overseas enterprise under its control, by way of investments with assets or equities or proving financing or guarantees. To conduct outbound investment, certain procedures must be complied with, including approval and record-filing of the overseas investment project, reporting relevant information and co-operating with supervision and inspection.

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REGULATIONS RELATING TO PRODUCTION SAFETY

According to the Production Safety Law of the People’s Republic of China (中華人民共和國安全生產法) amended by the SCNPC on June 10, 2021 and implemented on September 1, 2021, an enterprise shall (1) provide production safety conditions as stipulated in Production Safety Law of the People’s Republic of China and other relevant laws, administrative regulations, national and industry standards, (2) establish a comprehensive production safety accountability system and production safety rules, and (3) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities. Production and business operation entities shall carry out education and training on production safety to employees, and ensure that employees have necessary knowledge on production safety and are familiar with relevant rules and regulations on production safety and safety operating procedures. The producers and operators who violate the Production Safety Law of the People’s Republic of China may result in imposition of penalties, suspension of operation, an order to cease operation, or even criminal liability if causes serious consequences.

REGULATIONS RELATING TO PRODUCT QUALITY

According to the Product Quality Law of the People’s Republic of China (中華人民共和國產品質量法) (the “Product Quality Law”), last amended and implemented on December 29, 2018 by the SCNPC, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (1) administrative penalties including ordered suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license; and (2) criminal liabilities if the illegal activity constitutes crime.

According to the Civil Code of the People’s Republic of China (中華人民共和國民法典) implemented by the NPC on January 1, 2021, if defects are found after the product is put into circulation, the manufacturer or seller shall take remedial measures, such as ceasing selling, issuing product warnings, alerts, summons and recalls in a timely manner. In case of damage caused by defective products or failure to take timely remedial measures, the infringed party may seek compensation from the manufacturer or seller. If the defect is caused by the seller, the manufacturer has the right to claim compensation from the seller for the victim’s compensation. If a product is manufactured or sold with a known defect or no effective remedial measures are taken according to relevant requirements, causing death or serious adverse health problems, the infringed party is entitled to claim punitive damages in addition to damages.

On October 31, 1993, the Consumer Protection Law of the People’s Republic of China (中華人民共和國消費者權益保護法) was promulgated by the SCNPC, which was amended on October 25, 2013, to protect consumers’ rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. According to the amendment, all business operators shall pay high attention to protect the customers’ personal information which they obtain during the business operation.

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Pursuant to the E-Commerce Law of the People’s Republic of China (中華人民共和國電子商務法) which was promulgated by the SCNPC on August 31, 2018 and came into effect on January 1, 2019, e-commerce operators refer to natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators and other e-commerce operators that sell commodities or offer services through a self-built website or other network services. An e-commerce operator shall, in business operation, abide by the principles of voluntariness, equality, fairness and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cyber security and individual information, assume responsibility for quality of products or services and accept the supervision by the government and the public. On March 1, 2022, the Supreme People’s Court released the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Cases of Disputes over Online Consumption (I) (最高人民法院關於審理網絡消費糾紛案件適用法律若干問題的規定(一)), effective on March 15, 2022, which stipulated, among other things, the validity of relevant standard clauses of online consumption contracts, recognition of responsible parties and civil liabilities in live-streaming marketing.

REGULATIONS RELATING TO LEASED PROPERTIES

According to the Urban Real Estate Administration Law of the People’s Republic of China (中華人民共和國城市房地產管理法) (Order No. 32 of the President of the People’s Republic of China) which became effective on January 1, 2020, when leasing a house, the lessor and lessee shall sign a written lease contract, prescribing such provisions as the leasing term, use of the house, rental and repair liabilities, and other rights and obligations of both parties; and go through registration procedures for record with the real estate administration department. According to the PRC Civil Code, a lessee may, upon the lessor’s consent, sublease the leased object to a third person.

According to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) promulgated on December 1, 2010 with effect on February 1, 2011, the parties to the house leasing shall sign a lease contract according to laws, and the lease contract shall be registered with the relevant construction or real estate authorities at the city or county level within 30 days after its signing. If the contents of the house lease registration and filing are changed, the lease is renewed or the lease is terminated, the parties concerned shall, within 30 days, go to the original lease registration and filing department to go through the formalities for the modification, renewal or cancelation of the house lease registration and filing. If the parties involved in the house leasing fail to go through the registration and filing procedures, the parties involved in the house leasing will be ordered to make corrections, and if they fail to make corrections within the time limit, they will be fined.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) passed by the SCNPC on December 26, 1989, latest amended on April 24, 2014 and came into effect on January 1, 2015, enterprises, public institutions, and other businesses that discharge pollutants shall adopt measures to prevent and control pollution and damage to the environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated in their production, construction, and other activities. The state shall, according to the law, apply a licensing system to the discharge of pollutants. Enterprises, public institutions, and other businesses subject to pollutant discharge licensing management shall discharge pollutants according to the requirements of their respective pollutant discharge licenses; and those without a pollutant discharge license may not discharge pollutants.

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According to the Regulation on the Administration of Permitting of Pollutant Discharges (排污許可管理條例) promulgated by the State Council on January 24, 2021 and implemented on March 1, 2021, the Measures for the Administration of Pollutant Discharge Permits (排污許可管理辦法) promulgated by the Ministry of Ecology and Environment on April 1, 2024 and implemented on July 1, 2024, enterprises, public institutions and other producers or operators that are subject to the administration of permitting of pollutant discharges shall apply for a pollutant discharge permit in accordance with the provisions, and may not discharge pollutants, if a pollutant discharge permit fails to be obtained. Enterprises, institutions and other producers and operators that produce and discharge pollutants in small volumes and affect the environment at a small level shall file a pollutant discharging registration form and are exempted from being required to obtain a pollutant discharge permit.

According to the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例) (the “Construction Environmental Protection Rule”), which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and became effective on October 1, 2017, depending on the impact of the construction project on the environment, a construction entity shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction entity shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction entity shall not commence the construction.

According to the Environmental Impact Appraisal Law of PRC (中華人民共和國環境影響評價法), which was promulgated by the SCNPC on October 28, 2002, amended on July 2, 2016 and December 29, 2018, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the degree of effect that may be exerted on the environment.

The Construction Environmental Protection Rule also requires that upon completion of construction for which an environment impact report or environment impact statement is formulated, the constructor shall conduct acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, formulate the acceptance inspection report, and announce the acceptance inspection report pursuant to the law except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the State. Where the environmental protection facilities have not undergone acceptance inspection or do not pass acceptance inspection, the construction project shall not be put into production or use.

REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the People’s Republic of China (中華人民共和國對外貿易法) last amended by the SCNPC on December 27, 2025 and will take effect on March 1, 2026, the State permits the free import and export of goods and technologies. Based on the need to monitor the import and export goods, the competent department of foreign trade under the State Council may implement automatic import and export licensing for certain freely import and export goods and publish their catalogs. For import and export goods subject to automatic licensing, if the consignee or consignor applies for automatic licensing before going through the customs declaration formalities, the competent department of foreign trade under the State Council or its entrusted institution shall be licensed; without automatic licensing procedures, the customs will not be released.

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In accordance with the Provisions on the Administration of Recordation 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) published by the General Administration of Customs of the People’s Republic of China on November 19, 2021, and effective as of January 1, 2022, customs declaration entities mean consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the customs pursuant to these provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification. If the consignees or consignors of imports and exports or customs declaration entities have filed record with the customs, its branches meeting the conditions mentioned in the preceding paragraph may also apply for the filing of the customs declaration entities.

REGULATIONS RELATING TO LABOR, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor Contract

According to the Labor Law of the People’s Republic of China (中華人民共和國勞動法) last amended and implemented by the SCNPC on December 29, 2018, the Labor Contract Law of the People’s Republic of China (中華人民共和國勞動合同法) last amended by the SCNPC on December 28, 2012 and implemented on July 1, 2013, and the Implementing Regulations of the Labor Contracts Law of the People’s Republic of China (中華人民共和國勞動合同法實施條例) promulgated by the State Council on September 18, 2008 and effective on the same date, labor relationships between employers and employees must be executed in written form. Employers must establish a system for labor safety and sanitation, and strictly abide by state standards and provide relevant education to their employees. Employees are also required to work in safe and sanitary conditions.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the People’s Republic of China (中華人民共和國社會保險法) last amended and implemented by the SCNPC on December 29, 2018, the Administrative Regulations on Housing Provident Fund (住房公積金管理條例) last amended and implemented by the State Council on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) last amended and implemented by the State Council on March 24, 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears. Where a unit fails to pay or pays not in full amount the housing provident fund by the expiration of the time limit, the managing center of housing provident fund shall order it to be paid and deposited within a specified time limit; where it is not paid and deposited yet by the expiration of the specified time limit, compulsory enforcement by the people’s court of the PRC (the “People’s Court”) may be applied.

REGULATORY OVERVIEW

According to the Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees (國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見) issued and implemented by the Office of the State Council on March 6, 2019, the State facilitates the incorporation of maternity insurance fund into basic medical insurance fund of employees for unified payment.

Pursuant to the Interpretation II of the Supreme People’s Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)) which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the people’s court, and the employee may have the right to request to terminate the labor contract and claim economic compensation.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the People’s Republic of China (中華人民共和國專利法) last amended by the SCNPC on October 17, 2020 and effective on June 1, 2021, as well as the Implementation Regulations for the Patent Law of the People’s Republic of China (中華人民共和國專利法實施細則) last amended by the State Council on December 11, 2023 and effective on January 20, 2024, inventions refer to inventions, utility models and designs. Inventions refer to new technical solutions for a product, method or its improvement. Utility models refer to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use. Designs refer to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of the whole or part of product with aesthetic feeling and industrial application value. The validity period of patent for inventions is 20 years, while the validity period of patent for utility models is 10 years, and the validity period of patent for designs is 15 years, all starting from the date of application.

An invention creation that is accomplished by a person in the course of performing any task for an entity to which the person belongs, or mainly by using materials or technical means of the said entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the relevant application is approved, the entity shall be the patentee. The entity may dispose of the right to apply for patents and patent rights of its invention-creation in accordance with the law and promote the implementation and utilization of the relevant invention-creation. The entity to which a patent right is granted shall reward the inventor or designer of such service invention-creation; after the implementation of the invention-creation patent, the inventor or designer shall be remunerated reasonably according to the scope of marketing and application and the economic benefits obtained. The State encourages the entities to which a patent right is granted to implement property rights incentives by way of equity, option, dividends, etc., so that inventors or designers can enjoy the proportion of profits of innovation.

REGULATORY OVERVIEW

Trademark

The Trademark Law of the People’s Republic of China (中華人民共和國商標法) last amended by the SCNPC on April 23, 2019 and effective on November 1, 2019, and the Implementation Rules of the Trademark Law of the People’s Republic of China (中華人民共和國商標法實施條例) amended by the State Council on April 29, 2014 and effective on May 1, 2014, stipulate the registration of a trademark shall be valid for ten years from the date of approval. If there is a continued need for the use of trademark, a renewal shall be made in accordance with requirements within 12 months before the expiry of the trademark registration. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. A trademark registrant may license others the right to use his/her trademark by entering into a trademark license agreement, but licensing details must be filed with the Trademark Office. Failure to file won’t affect bona fide third parties. Quality supervision is the licensor’s responsibility, and licensees must maintain product quality when using the registered trademark.

Copyright

According to the Copyright Law of the People’s Republic of China (中華人民共和國著作權法) last amended by the SCNPC on November 11, 2020 and implemented on June 1, 2021, and the Implementation Rules of the Copyright Law of the People’s Republic of China (中華人民共和國著作權法實施條例) last amended by the State Council on January 30, 2013 and implemented on March 1, 2013, works of Chinese citizens, legal persons or unincorporated organizations, i.e., intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the law. Copyright includes a series of personal and property rights such as the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work and the right of reproduction.

According to the Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (計算機軟件保護條例) amended by the State Council on January 30, 2013 and effective on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法) and the Regulation on Computers Software Protection (計算機軟件保護條例).

Domain Names

According to the Administrative Measures for Internet Domain Names (互聯網域名管理辦法) promulgated by the MIIT on August 24, 2017 and effective from November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the central government. The principle of “first come, first served” applies to domain name registration service. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (工業和信息化部關於規範互聯網信息服務使用域名的通知), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

REGULATORY OVERVIEW

REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

According to the Anti-unfair Competition Law of the PRC (中華人民共和國反不正當競爭法), or the Anti-unfair Competition Law, which was promulgated by the SCNPC on September 2, 1993 and last revised on June 27, 2025, and implemented on October 15, 2025, operators shall comply with the principle of voluntariness, equality, impartiality, integrity and abide by laws and business ethics in market transactions. Under the Anti-unfair Competition Law, unfair competition refers to an operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Operators who violate of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal responsibilities depending on the specific circumstances.

REGULATIONS RELATING TO CYBERSECURITY, PERSONAL INFORMATION PROTECTION AND DATA SECURITY

According to the Cybersecurity Law of the PRC (中華人民共和國網絡安全法), which was promulgated by the SCNPC on November 7, 2016 and last amended on October 28, 2025 and implemented on January 1, 2026, the PRC has implemented a hierarchical network security protection system, and network operators shall comply with the provisions of laws and regulations as well as the mandatory requirements of the national and industry standards, formulate an internal security management system, and adopt technical measures and other necessary measures to protect the security of the network, stable operation.

According to the Data Security Law of the PRC (中華人民共和國數據安全法), which was adopted by the SCNPC on June 10, 2021 and came into effect on September 1, 2021, the PRC has formulated a system for data classification and grading protection. When conducting data processing activities, one should abide by the provisions of laws and regulations, establish and improve a full-process data security management system, organize and carry out data security education and training, and take corresponding technical measures and other necessary measures to ensure data security.

According to the Measures for Cybersecurity Review (網絡安全審查辦法), which was jointly promulgated by the Cyberspace Administration of China, the NDRC, the MIIT, the Ministry of Public Security, the Ministry of National Security, the MOF, the Ministry of Commerce, the People’s Bank of China, the SAMR, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection, and the State Cryptography Administration on November 16, 2021 and came into effect on February 15, 2022, a network platform operator with personal information of more than one million users which seek listing in a foreign country is obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

On September 24, 2024, the State Council promulgated the Administration Regulations on Cyber Data Security (網絡數據安全管理條例) (the “Cyber Data Regulations”), which became effective on January 1, 2025. The Cyber Data Regulations have further clarified the data security responsibilities of cyber data processors.

On August 20, 2021, the SCNPC enacted 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 came into effect on November 1, 2021. The Personal Information Protection Law establishes that personal information processors process personal information must have a legal basis, including: (1) where the consent of the individual concerned is obtained; (2) where it is necessary for the conclusion or performance of a contract to which the individual is a party, or for the implementation of human resources management in accordance with the labor rules and regulations established by law and the collective contract signed in accordance with the law; (3) where it is necessary for the performance of legal duties or legal obligations;

REGULATORY OVERVIEW

(4) where it is necessary for the response to public health emergencies, or for the protection of the life, health and property safety of natural persons in an emergency; (5) where such acts as news reporting, public opinion monitoring and others are implemented for the public interest, and the processing of personal information is within a reasonable range; (6) where the personal information disclosed by the individual concerned or other personal information that has been legally disclosed is processed within a reasonable scope in accordance with the provisions of Personal Information Protection Law; or (7) other circumstances specified in laws and administrative regulations. Furthermore, no organization or individual may illegally collect, use, process or transmit personal information of others, illegally buy or sell, provide or make personal information public of others, or engage in the processing of personal information that endangers the national security or public interests. Any violation of the provisions or requirements of the Personal Information Protection Law may subject the personal information processors to orders to rectify, warnings, fines, suspension of business, revocation of business licenses or even criminal liabilities in serious cases.

On July 7, 2022, the CAC issued the Security Assessment Measures for Outbound Data Transfer (數據出境安全評估辦法), which took effect on September 1, 2022, clearly stipulating the regulations and procedures for conducting outbound data transfer security assessment for important data and personal information collected and generated within China’s territory. On February 22, 2023, the CAC released the Measures on the Standard Contract for Outbound Transfer of Personal Information (個人信息出境標準合同辦法), which took effect on June 1, 2023, clearly stipulating that personal information processors shall meet certain conditions when conducting the outbound transfer of personal information by entering into standard contracts, and shall file the executed standard contracts with the local CAC at the provincial level. On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-Border Data Flows (促進和規範數據跨境流動規定) (the “Promoting Provisions”), further adjusting the scope, exemption conditions and procedures applicable to outbound data transfer security assessment and the filing mechanism of standard contracts for the outbound transfer of personal information. Collectively, these regulations have established China’s fundamental regulatory architecture for cross-border data transfers. In accordance with the aforementioned measures and regulations, where a data processor outbound transfers data, the data processor shall apply to the CAC for outbound data transfer security assessment through the local CAC at the provincial level when any of the following conditions are met: (1) a critical information infrastructure operator (“CIIO”) provides personal information or important data overseas; (2) a data processor other than a CIIO provides important data overseas, or has provided personal information of more than 1 million people (excluding sensitive personal information) or more than 10,000 sensitive personal information overseas since 1 January of the current year, unless the exemption circumstances stipulated in Articles 3 to 6 of the Promoting Provisions are met.

REGULATIONS RELATING TO FOREIGN EXCHANGE

Pursuant to the Administrative Regulations on Foreign Exchange of the PRC (中華人民共和國外匯管理條例) announced by the State Council on August 5, 2008 and effective on the same day, transactions involving goods, services, income and current transfers in the balance of payments are regarded as current accounts, under which the foreign exchange payments shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document; domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

According to the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) promulgated on December 26, 2014 by the SAFE and implemented since the same date, a

REGULATORY OVERVIEW

domestic company shall, within 15 working days after the completion of its overseas listing and issuance, register the overseas listing with the local branch of the State Administration of Foreign Exchange of the place where it is incorporated. The funds raised by domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the use of funds shall be consistent with those as set out in the public disclosure documents such as the document or corporate bond issuance document, circulars to shareholders and resolutions of the board of directors or shareholders’ meeting.

On 13 February 2015, the SAFE issued the Circular of Further Simplifying and Improving Foreign Exchange Administration Policies 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 was partially abolished in December 2019. It stipulates that banks shall directly examine and handle foreign exchange registration under overseas direct investment, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration and examination of overseas direct investment through banks.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which was promulgated on March 16, 2007 and last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (“EIT Law”) (中華人民共和國企業所得稅法實施條例) which was promulgated on December 6, 2007 and last amended on December 6, 2024 and implemented on January 20, 2025, the income tax rate for both domestic and foreign-invested enterprises is 25%. Furthermore, resident enterprises, which are enterprises that are set up in accordance with PRC law, or that are set up in accordance with the law of a foreign country (region) but with their actual administration institution in the PRC, must pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to their income originating from the PRC and obtained by their institutions or establishments, and their income incurred outside the PRC but where there is an actual relationship with the institutions or establishments set up by such enterprises. Non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but where there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they must pay enterprise income tax in relation to the income originating from the PRC at the rate of 10%.

Value-added Tax

According to the Interim Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例), which was last amended by the State Council on November 19, 2017 and came into effect on the same day, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則), which was last amended by the MOF on October 28, 2011 and came into effect on November 1, 2011, all entities and individuals engaged in sale of goods or provision of processing, repair and maintenance services or importation of goods in mainland China are subject to VAT. Unless otherwise specified in the above-mentioned regulations, the value-added tax rate is generally 17% in respect of the sale or importation of goods by taxpayers.

According to the Circular of on Adjusting Value-added Tax Rates of Ministry of Finance and the State Administration of Taxation (財政部、稅務總局關於調整增值稅稅率的通知) announced by the MOF and the SAT on April 4, 2018 and effective from May 1, 2018, where a taxpayer engages in a taxable sales activity for value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

REGULATORY OVERVIEW

According to the Announcement on Relevant Policies for Deepening Value-added Tax Reform of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告) announced by the MOF, the SAT, and the General Administration of Customs on March 20, 2019 and effective from April 1, 2019, with respect to taxable sales or imported goods of a value-added tax taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%, and the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

The SCNPC promulgated PRC Value-added Tax Law (中華人民共和國增值稅法) on December 25, 2024, which came into effect on January 1, 2026. According to the PRC Value-added Tax Law, the VAT rate for general VAT taxpayers engaging in sale of goods, processing, repair and replacement services, lease of tangible and movable goods or importation of goods is 13%, the VAT rate for general VAT taxpayers engaging in, among others, the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, and the transfer of land use rights is 9%. From January 1, 2026, the effective date of the PRC Value-added Tax Law, the Interim Regulations of the PRC on Value-added Tax were repealed.

REGULATIONS RELATING TO OVERSEAS OFFERING AND LISTING OF DOMESTIC ENTERPRISES

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines promulgated by the CSRC on February 17, 2023 and implemented on March 31, 2023, the overseas offering and listing activities of domestic enterprises shall be in strict compliance with laws, administrative regulations and relevant provisions on national security in terms of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security, shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors.

According to the Overseas Listing Trial Measures, the overseas offering and listing is explicitly prohibited under any of the following circumstances: (1) if the offering and listing is specifically prohibited by laws, administrative regulations and relevant national provisions; (2) if the overseas offering and listing constitutes endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law; (3) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy; (4) if the domestic enterprise is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached; or (5) if there are material ownership disputes over the equity held by the controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

According to the Overseas Listing Trial Measures, if any of the following material events occur after an issuer's overseas offering and listing, the issuer shall report the details to the CSRC within three working days from the date of the occurrence and announcement of the relevant event: (1) change in control; (2) investigation, penalties or other measures taken by overseas securities regulatory authorities or relevant competent authorities; (3) the conversion of listing status or the transfer of listing board; and (4) voluntary or compulsory termination of listing.

REGULATORY OVERVIEW

According to the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (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) jointly issued by the CSRC and other departments on February 24, 2023 and effective on March 31, 2023, in the overseas offering and listing activities of domestic companies, domestic companies, and securities companies and securities service institutions that provide corresponding services shall strictly comply with the applicable laws and regulations of the PRC and satisfy the requirements of these Provisions, enhance the legal awareness of safeguarding state secrets and strengthening archives administration, establish and improve the confidentiality and archives work system, and take necessary measures to fulfill the confidentiality and archives administration obligations, and shall not divulge state secrets or work secrets of state organs, or harm the interests of the state or the public. A domestic company that, either directly or through its overseas listed entity, provides or publicly discloses to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals, any documents and materials that involve state secrets or work secrets of state organs, shall obtain approval from the competent department with the power of examination and approval according to the law, and report to the administrative department of confidentiality at the same level for filing.

REGULATIONS RELATING TO THE H SHARE FULL CIRCULATION

According to the Guidelines for the Application for the “Full Circulation” of the Domestic Unlisted Shares of H-Share Companies (H股公司境內未上市股份申請“全流通”業務指引) promulgated by the CSRC on November 14, 2019 and amended on August 10, 2023, full circulation represents listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. Shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for the circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to submit the filing registration to the CSRC. Unlisted domestic joint stock companies may apply for the filing registration for “full circulation” to the CSRC when applying for an overseas initial public offering and listing.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited (“CSDC”) and the Shenzhen Stock Exchange (“SZSE”) jointly announced the Measures for Implementation of H-share “Full Circulation” Business (H股“全流通”業務實施細則) (the “Measures for Implementation”). The businesses in relation to the H-share full circulation business, such as cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. are subject to the Measures for Implementation.

The Guide for “Full Circulation” Business of H-shares by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司深圳分公司H股“全流通”業務指南) amended by the Shenzhen Branch of the CSDC on June 27, 2025, and implemented on June 30, 2025, which clearly provides for business arrangements and procedures related to H-share full circulation business, including business preparation, cross-border transfer registration, overseas depository of shares and initial maintenance and change in maintenance of domestic holding details, corporate behavior processing, clearing and settlement, risk management and business charges. In September 2024, China Securities Depository and Clearing (Hong Kong) Limited (“CSDC (Hong Kong)”) also promulgated the Guide of China Securities Depository and Clearing (Hong Kong) Limited to the Program for “Full Circulation” of H-shares to specify the relevant escrow, custody, agent service, arrangement for settlement and delivery, risk management measures and other relevant matters.

REGULATORY OVERVIEW

According to the Measures for Implementation and the Guide for “Full Circulation” Business of H-shares by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, shareholders who apply for H Share Full Circulation (“Participating Shareholders”) shall complete the cross-border transfer registration for conversion of relevant domestic unlisted shares into H Shares before dealing in the shares, i.e., CSDC as the nominal shareholder, deposits the relevant securities held by Participating Shareholders at CSDC (Hong Kong), and CSDC (Hong Kong) will then deposit the securities at HKSCC in its own name, and exercise the rights to the securities issuer through HKSCC, while HKSCC Nominees as the ultimate nominal shareholder is listed on the register of shareholders of H-share listed companies.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Our Company was initially established on September 28, 2014 in the PRC as a limited liability company. We are a leading dermatological skincare brand in China, with a prominent position in the corrective skincare market. We established our HBN brand in 2019 with a commitment to “real effective care,” addressing consumers’ growing demand for skincare results backed by scientific evidence. We are the youngest among the top 10 domestic skincare brands in China in terms of the retail sales value of skincare products in 2024 and the largest domestic dermatological brand in terms of the retail sales value of corrective skincare products in China in 2024, according to the CIC report.

As of the Latest Practicable Date, Mr. Yao and Ms. Wang, the spouse of Mr. Yao, collectively controlled 76.19% of the voting power at the general meeting of our Company, comprising (i) 35.08% beneficially owned by Mr. Yao directly, (ii) 13.60% beneficially owned by Ms. Wang, (iii) 8.00% beneficially owned Ningbo Meize, where Ningbo Hujia acts as the general partner and Ningbo Hujia is ultimately controlled by Mr. Yao, and (iv) approximately 19.51% vested to Mr. Yao by the Proxy Shareholders through the Voting Proxy Arrangement. See “—Major Shareholding Changes—Voting Proxy Arrangement” for details of the Voting Proxy Arrangement and “—Our Shareholding and Corporate Structure” for details of our shareholding structure.

KEY DEVELOPMENT MILESTONES

The following table illustrates the key milestones of our business development since our commencement of business:

Year	Milestone
2019	- our skincare brand “HBN” was founded. - we launched corrective skincare products under the “Morning C Night A” skincare routine, including retinol firming essence lotion, α-arbutin revitalizing essence and retinol firming night cream.
2020	- we launched preventative skincare products. - we ranked No. 1 in terms of the retail sales value of arbutin-based skincare products in China, according to the CIC report.
2021	we were certified as a “National High-Tech Enterprise” (國家高新技術企業).
2022	- we ranked No. 1 in terms of the sales volume of essence toner products in China according to the CIC report. - we ranked No. 1 in terms of the sales volume of retinol-based skincare products in China according to the CIC report.
2023	we established the HBN Skin-Inspired Research and Innovation Center (HBN肌發靈感研發中心), and our in-house laboratory has obtained CNAS national-level testing accreditation.
2024	two of our products were awarded as 2024 Elite Guangdong Cosmetics Product (2024年度廣東省優質化妝品“粵妝甄品”).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone
2025	- we ranked No. 1 in terms of the number of articles published in SCI-indexed journals as first author among domestic skincare brands as of December 31, 2025, according to the CIC report. - we were honored the AAA Well-Known Trademark Brand. - we were selected as a member unit of the Cosmetics Subcommittee under the Beauty and Wellness Expert Committee of the Development Research Center of the SAMR.

MAJOR SHAREHOLDING CHANGES

Establishment and Early Development

Our Company was incorporated in the PRC on September 28, 2014 as a limited liability company with an initial registered capital of RMB5,000,000. At the time of incorporation, our Company was wholly-owned by Shenzhen Huniquanjia Technology Co., Ltd. (深圳市護你全家科技有限公司), which was subsequently renamed to Shenzhen Hujia Biotechnology Co., Ltd. (深圳市護家生物科技有限公司) (“Hujia Biotechnology”). Hujia Biotechnology was principally engaged in sales of feminine care products, which is different from the business of our Group, and represented an earlier entrepreneurial attempt by our Controlling Shareholders. On December 9, 2020, Hujia Biotechnology entered into an equity transfer agreement with Mr. Yao, pursuant to which Hujia Biotechnology agreed to transfer 100% equity interest in our Company held by it to Mr. Yao. The consideration for such equity transfer was RMB833,245, which was determined with reference to the then appraised net assets value. As of the same date, the shareholding structure of Hujia Biotechnology was as follows:

Name of shareholders	Percentage of shareholding
Mr. Yao	21.48%
Ms. Wang	12.80%
Meitu Networks	28.21%
Mr. Chen Ran (陳然)	14.40%
Yingxin Investment	9.00%
Mr. Peng Shengwen (彭勝文)	8.40%
Ms. Dai Lu (戴露)	5.71%
Total	100 %

Upon completion of such equity transfer on December 10, 2020, Hujia Biotechnology ceased to be our Shareholder and our Company was wholly owned by Mr. Yao.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Major Shareholding Changes of Our Company

1. Equity transfer in December 2020

On December 25, 2020, in recognition of the investors’ prior support to Hujia Biotechnology and their long-term confidence in the Controlling Shareholders, Mr. Yao entered into an equity transfer agreement with Meitu Networks, Yingxin Investment, Mr. Peng Shengwen and Ms. Dai Lu, pursuant to which Mr. Yao agreed to transfer (i) 28.21% equity interest in our Company held by him to Meitu Networks at the consideration of RMB90,870; (ii) 9.00% equity interest in our Company held by him to Yingxin Investment at the consideration of RMB28,995; (iii) 8.40% equity interest in our Company held by him to Mr. Peng Shengwen at the consideration of RMB27,062; and (iv) 5.71% equity interest in our Company held by him to Ms. Dai Lu at the consideration of RMB18,402. In addition to the consideration paid to Mr. Yao, Meitu Networks, Yingxin Investment, Mr. Peng Shengwen and Ms. Dai Lu also assumed the responsibility for paying the outstanding registered capital of RMB1,410,300, RMB450,000, RMB420,000 and RMB285,600, respectively. Such consideration paid to Mr. Yao and the payment of outstanding registered capital to our Company had been fully settled on April 2, 2021 and August 7, 2024, respectively. The consideration was determined based on arm’s length negotiations among Mr. Yao and these investors. Upon completion of such equity transfer, the shareholding structure of our Company was as follows:

Name of shareholders	Registered capital subscribed for (RMB)	Percentage of shareholding
Mr. Yao	2,434,100	48.68%
Meitu Networks	1,410,300	28.21%
Yingxin Investment	450,000	9.00%
Mr. Peng Shengwen (彭勝文)	420,000	8.40%
Ms. Dai Lu (戴露)	285,600	5.71%
Total	5,000,000	100%

Note:

- (1) For commercial consideration, Mr. Chen Ran, one of the then shareholders of Hujia Biotechnology, did not enter into any equity transfer agreement with Mr. Yao and therefore did not become a shareholder of our Company.

2. Equity transfer and capital increase in March 2023

On March 16, 2023, Mr. Yao entered into an equity transfer agreement with Ms. Wang, pursuant to which Mr. Yao agreed to transfer 16.11% equity interest in our Company held by him to Ms. Wang at nominal consideration.

On the same date, the then shareholders of our Company resolved to increase the registered capital of our Company from RMB5,000,000 to RMB5,923,404, among which (i) RMB473,872 was subscribed for by Ningbo Meize at a consideration of RMB473,872, representing approximately 8.00% equity interest in our Company upon completion of the capital increase; and (ii) RMB449,532 was subscribed for by Mr. Yao at a consideration of RMB449,532, representing approximately 7.59% equity interest in our Company upon completion of the capital increase. The consideration was determined with reference to the then nominal value of registered capital of our Company, and was fully settled on August 6, 2024.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon the completion of such equity transfer and capital increase, the shareholding structure of our Company was as follows:

Name of shareholders	Registered capital subscribed for (RMB)	Percentage of shareholding
Mr. Yao	2,078,049	35.08%
Ms. Wang	805,583	13.60%
Ningbo Meize ⁽¹⁾	473,872	8.00%
Meitu Networks	1,410,300	23.81%
Yingxin Investment	450,000	7.60%
Mr. Peng Shengwen	420,000	7.09%
Ms. Dai Lu	285,600	4.82%
Total	5,923,404	100%

Note:

- (1) Ningbo Meize is a limited partnership incorporated in the PRC in March 2023. The general partner of Ningbo Meize is Ningbo Hujia, holding 0.1% partnership interest in Ningbo Meize. Ningbo Hujia is owned by Mr. Yao as to 99% and Ms. Wang as to 1%. The limited partner of Ningbo Meize is Mr. Yao holding 99.9% partnership interest in Ningbo Meize.

3. Conversion into a Joint Stock Company

On November 27, 2025, our Company was converted from a company with limited liability to a joint stock company. The conversion was made with reference to the Company’s net asset value as at July 31, 2025 of RMB424,763,523.80, among which, RMB5,923,404.00 was converted into 5,923,404 Shares with a par value of RMB1.00 each, and the remaining amount was classified as capital reserves.

Immediately after the conversion into a joint stock company, the shareholding structure of our Company was as follows:

Shareholders	Number of Shares	Percentage of shareholding
Mr. Yao	2,078,049	35.08%
Ms. Wang	805,583	13.60%
Ningbo Meize	473,872	8.00%
Meitu Networks	1,410,300	23.81%
Yingxin Investment	450,000	7.60%
Mr. Peng Shengwen	420,000	7.09%
Ms. Dai Lu	285,600	4.82%
Total	5,923,404	100%

4. Capitalization issue

On January 15, 2026, the shareholders of our Company resolved to increase the registered capital of our Company out of the undistributed profit of the Company in the amount of RMB24,076,596 on *pro rata* basis according to the shareholding ratios of the then existing Shareholders.

Upon the completion of such capitalization issue, the registered capital of our Company increased to RMB30 million.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

5. Share Subdivision

Pursuant to the resolutions of our Shareholders dated January 21, 2026, each of our Shares with nominal value of RMB1.00 will be subdivided into five Shares with nominal value of RMB0.20 each immediately prior to the [REDACTED]. Upon completion of such Share Subdivision, the registered capital of our Company, which is RMB30,000,000, will be divided into 150,000,000 Shares of par value RMB0.20 each, which will be subscribed by all our then Shareholders in proportion to their respective equity interests in our Company immediately before the [REDACTED].

Voting Proxy Arrangement

To enhance corporate decision-making efficiency and to strengthen the control of the Controlling Shareholders over the Company, on January 17, 2026, each of Yingxin Investment, Mr. Peng Shengwen and Ms. Dai Lu entered into a voting proxy agreement with Mr. Yao, pursuant to which the Proxy Shareholders have appointed Mr. Yao as his/her true and lawful proxy to vote all Shares of our Company held by him/her at any and all meetings of shareholders of our Company, and on any and all actions taken by written consent of shareholders of our Company. The Voting Proxy Arrangement will remain effective until termination upon the occurrence of the earliest of (i) both parties’ bilateral written termination, (ii) each of the Proxy Shareholder’s cessation to hold any share of our Company, (iii) cessation of legal capacity or decease of the party received voting rights from the Proxy Shareholders, (iv) change in control of our Company, (v) an uncured material breach, following a 30-day period after written notice from the non-breaching party, or (vi) termination as required by applicable laws and regulations.

As such, as of the Latest Practicable Date, Mr. Yao was also able to exercise 19.51% voting rights attached to the Shares of our Company held by the Proxy Shareholders through the Voting Proxy Arrangement.

As a result, as of the Latest Practicable Date, Mr. Yao and Ms. Wang, our Controlling Shareholders collectively controlled approximately 76.19% voting rights of our Company in aggregate. For details of our Controlling Shareholders, see “Relationship with our Controlling Shareholders.”

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the following entities were our major subsidiaries which had made a material contribution to our results of operation during the Track Record Period or are strategically important to Our Group:

Name of major subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Equity interest attributable to the Group	Principal activities
Hangzhou Gangzhongyan . .	August 31, 2023	PRC	100%	Sale of skincare products
Shenzhen Gangzhongyan . .	March 5, 2024	PRC	100%	Research & development, production and sale of skincare products

As of the Latest Practicable Date, our Company had eight subsidiaries. All of the subsidiaries are wholly-owned by our Company. For details on share capital changes of the subsidiaries, see “Appendix VI—Statutory and General Information—Further Information about Our Company—Changes in Share Capital of Our Subsidiaries” in this document.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

PRE-[REDACTED] INVESTMENTS

The table below summarizes the principal terms of the pre-[REDACTED] investments:

Name of Pre-[REDACTED] Investor(s)	Date of contract	Date of settlement	Registered capital of our Company subscribed for/acquired	Number of Shares as of the Latest Practicable Date (after the Share Subdivision)	Consideration ⁽¹⁾ (RMB)	Cost per Share paid ⁽²⁾ (RMB)	[REDACTED] to the [REDACTED] ⁽³⁾
<i>Share Transfer in 2020</i>							
Meitu Networks . .	December 25, 2020	January 15, 2021 and August 7, 2024	1,410,300	35,713,420	1,501,170	0.042	[REDACTED]
Yingxin Investment . . .	December 25, 2020	April 2, 2021 and August 2, 2024	450,000	11,395,475	478,995	0.042	[REDACTED]
Mr. Peng Shengwen . . .	December 25, 2020	April 2, 2021 and August 5, 2024	420,000	10,635,775	447,062	0.042	[REDACTED]
Ms. Dai Lu . . .	December 25, 2020	April 2, 2021 and August 1, 2024	285,600	7,232,330	304,002	0.042	[REDACTED]

Notes:

- (1) The consideration for the Pre-[REDACTED] investments was determined based on arm’s length negotiations between Mr. Yao and the Pre-[REDACTED] Investors, taking into account, among others, the historical background of the Controlling Shareholders’ earlier entrepreneurial attempt, and Mr. Yao’s commercial decision to recognize the Pre-[REDACTED] Investors’ prior support to Hujia Biotechnology. The consideration for the Pre-[REDACTED] investments comprises the consideration paid to Mr. Yao and the payment of outstanding registered capital by the Pre-[REDACTED] investors to our Company.
- (2) The cost per Share is calculated based on dividing the consideration by the number of Shares subscribed or acquired as adjusted by the enlarged registered share capital of our Company as a result of the Share Subdivision.
- (3) The [REDACTED] to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per H Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per H Share, and that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme.

Use of Proceeds from the Pre-[REDACTED] Investments

We utilized the proceeds from the Pre-[REDACTED] Investments for the operations of our Group and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, all of the funds raised from the Pre-[REDACTED] Investments have been utilized.

Special Rights of Our Pre-[REDACTED] Investors

In connection with the Pre-[REDACTED] investments, our Pre-[REDACTED] Investors were granted certain special rights, including, among others, pre-emptive right, right of first refusal, redemption right, information right, anti-dilution right, liquidation preference and special rights pursuant to our current effective shareholders agreement and articles of association. In anticipation of the [REDACTED], our Shareholders entered into the special rights termination agreements dated August 30, 2025 and January 21, 2026, pursuant to which, among others, (i) their redemption rights, liquidation preference, and anti-dilution rights were terminated on August 30, 2025 and were *void ab initio*, and (ii) all other special rights granted to our Pre-[REDACTED] Investors shall be terminated immediately before the [REDACTED].

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In respect of the Company’s redemption right, as advised by our PRC Legal Advisor, under the PRC Civil Code (中華人民共和國民法典), the parties to a contract have the right to mutually rescind or terminate the agreement in whole or in part, and may, through express agreement, determine the effective scope and retroactive effect of such termination, provided that it does not contravene mandatory provisions of law. Where the parties expressly agree that certain rights or obligations shall be treated as terminated and *void ab initio*, such agreement is valid and legally binding between the parties and operates to extinguish the relevant contractual rights retrospectively as if they had never arisen. For details, see note 27 to the Accountants’ Report set out in Appendix I to this document.

Compliance with the Guide

Based on the fact that (i) the consideration for the pre-[REDACTED] investments was irrevocably settled more than 28 clear days before the date of the first submission of the [REDACTED] application, and (ii) the redemption rights had been terminated before the date of the first submission of the [REDACTED] application and all other special rights granted to the Pre-[REDACTED] Investors shall be terminated in compliance with Chapter 4.2 of the Guide, the Joint Sponsors confirm that the pre-[REDACTED] investments are in compliance with Chapter 4.2 of the Guide.

Information regarding Our Principal Pre-[REDACTED] Investors

1. Meitu Networks

Meitu Networks is a limited liability company incorporated under the laws of PRC on June 18, 2003 and by virtue of certain contractual arrangements it has executed, its financials are consolidated as if it is a wholly-owned subsidiary of Meitu, Inc., a company listed on the Main Board of the Stock Exchange (stock code: 01357). The principal activities of Meitu, Inc., together with its subsidiaries and consolidated affiliates, are mainly to provide a comprehensive portfolio of photo, video and design products to meet the demands of the creator community. Its portfolio includes products for leisure, such as the Meitu app, beautycam, and wink, as well as productivity tools, such as designkit and kaipai.

2. Yingxin Investment

Yingxin Investment is a limited partnership established under the PRC laws on April 6, 2016. The general partner of Yingxin Investment is Shenzhen Yingxin Decheng Assets Management Co., Ltd. (深圳市盈信德誠資產管理有限公司), which is owned by Shenzhen Yingxin Guofu Industry Co., Ltd. (深圳市盈信國富實業有限公司) (“Shenzhen Yingxin Guofu”) as to 80% and Shenzhen Qianhai Geometry Financial Holding Co., Ltd. (深圳前海幾何金融控股有限公司) (“Shenzhen Qianhai Geometry”) as to 20%. Shenzhen Yingxin Guofu was owned by Shenzhen Huaxin Hongye Trade Co., Ltd. (深圳市華信宏業貿易有限公司) as to 99%, which is ultimately controlled by Ms. Sun Zaihua (孫再花), an Independent Third Party. The largest limited partner of Yingxin Investment is Shenzhen Ganhu Trade Co., Ltd. (深圳市淦湖貿易有限公司) (“Shenzhen Ganhu Trade”), which holds approximately 92.56% limited partnership interests in Yingxin Investment. Shenzhen Ganhu Trade was owned by (i) Lai Shaoying (賴少英) as to 50%, an Independent Third Party, and (ii) Shenzhen Mingrun Fengtai Investment Partnership Enterprise (Limited Partnership) (深圳明潤豐泰投資合夥企業(有限合夥)) as to 50%, which is ultimately owned by Ma Yuanping (馬苑萍), Ma Haojia (馬浩家), Wang Jinmei (王金梅), Huang Shunda (黃順大) and Zhao Chuan (趙川), each of which is an Independent Third Party. None of the other two limited partners of Yingxin Investment holds more than 10% limited partnership interests. Each of the limited partners of Yingxin Investment is an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

3. *Mr. Peng Shengwen*

Mr. Peng Shengwen has extensive experience in venture investments. Since 2010, he has made investments in over 30 companies, covering industries such as environmental protection, consumer products, cultural and entertainment, education and technology. He is also the founder and the member of the board of two investment companies. Mr. Peng Shengwen is an Independent Third Party.

4. *Ms. Dai Lu*

Ms. Dai Lu has extensive experience in investments in various sectors including but not limited to consumer products, artificial intelligence and healthcare. Ms. Dai previously served at renowned investment bank and large private equity institutions, where she was primarily responsible for capital raising and fund management. Ms. Dai Lu is an Independent Third Party.

MAJOR ACQUISITIONS AND DISPOSALS

We had not conducted any other major acquisition, disposal or merger during the Track Record Period and up to the Latest Practicable Date.

PRE-[REDACTED] SHARE INCENTIVE SCHEME

The Pre-[REDACTED] Share Incentive Scheme was adopted by our Shareholders at the first extraordinary general meeting held on January 15, 2026. See “Statutory and General Information—Further Information About Our Company—Pre-[REDACTED] Share Incentive Scheme” in Appendix VI to this document.

PUBLIC FLOAT

Pursuant to Rule 19A.13A of the Listing Rules, assuming that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme, (i) based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low end of the indicative [REDACTED] range), our expected market capitalization upon the [REDACTED] is HK\$[REDACTED] million, and the minimum prescribed public float percentage applicable to our Shares is [REDACTED]% under 19A.13A(1) of the Listing Rules; (ii) based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range), our expected [REDACTED] upon the [REDACTED] is HK\$[REDACTED] million, and the minimum prescribed public float percentage applicable to our Shares is [REDACTED]% under 19A.13A(1) of the Listing Rules; and (iii) based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the top end of the indicative [REDACTED] range), our expected [REDACTED] upon the [REDACTED] is HK\$[REDACTED] million, and the minimum prescribed public float percentage applicable to our Shares is [REDACTED]% under 19A.13A(1) of the Listing Rules.

Of the [REDACTED] H Shares to be converted from Unlisted Shares and [REDACTED] on the Stock Exchange following the Completion of the Share Subdivision, the [REDACTED] and the Conversion of Unlisted Shares into H Shares:

- (a) [REDACTED] H Shares (representing approximately [REDACTED]% of our total issued Shares upon the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme)) will not be counted towards the public float for the purpose of Rule 19A.13A of the Listing Rules upon the [REDACTED] as the voting rights of such H Shares are controlled by Mr. Yao, Ms. Wang and Meitu Networks, the core connected persons of our Company; and

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (b) the remaining [REDACTED] H Shares (representing approximately [REDACTED]% of our total issued Shares upon the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme)) will be counted towards the public float for the purpose of Rule 19A.13A of the Listing Rules after the [REDACTED] as such Shareholders are not core connected persons of our Company upon the [REDACTED] nor accustomed to take instructions from our Company’s core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by our Company’s core connected persons.

Therefore, our Company will be able to meet the minimum public float requirement under Rule 19A.13A(1) of the Listing Rules.

[REDACTED] FLOAT

[REDACTED]

Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the low end of the indicative [REDACTED] range, the Company will satisfy the free float requirement under [REDACTED] of the Listing Rules.

CAPITALIZATION OF OUR COMPANY

The following table sets forth our shareholding structure as of the Latest Practicable Date and immediately upon the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme):

Name of Shareholder	Number of Shares as of the Latest Practicable Date	Ownership percentage as of the Latest Practicable Date	Number of Shares upon the [REDACTED] taking into account the Share Subdivision	Ownership percentage upon the [REDACTED]
Mr. Yao	10,524,602	35.08%	[REDACTED]	[REDACTED]%
Ms. Wang	4,080,000	13.60%	[REDACTED]	[REDACTED]%
Ningbo Meize	2,399,998	8.00%	[REDACTED]	[REDACTED]%
Meitu Networks	7,142,684	23.81%	[REDACTED]	[REDACTED]%
Yingxin Investment	2,279,095	7.60%	[REDACTED]	[REDACTED]%
Mr. Peng Shengwen	2,127,155	7.09%	[REDACTED]	[REDACTED]%
Ms. Dai Lu	1,446,466	4.82%	[REDACTED]	[REDACTED]%
[REDACTED] Shareholders	—	—	[REDACTED]	[REDACTED]%
Total	30,000,000	100.00%	[REDACTED]	100.00%

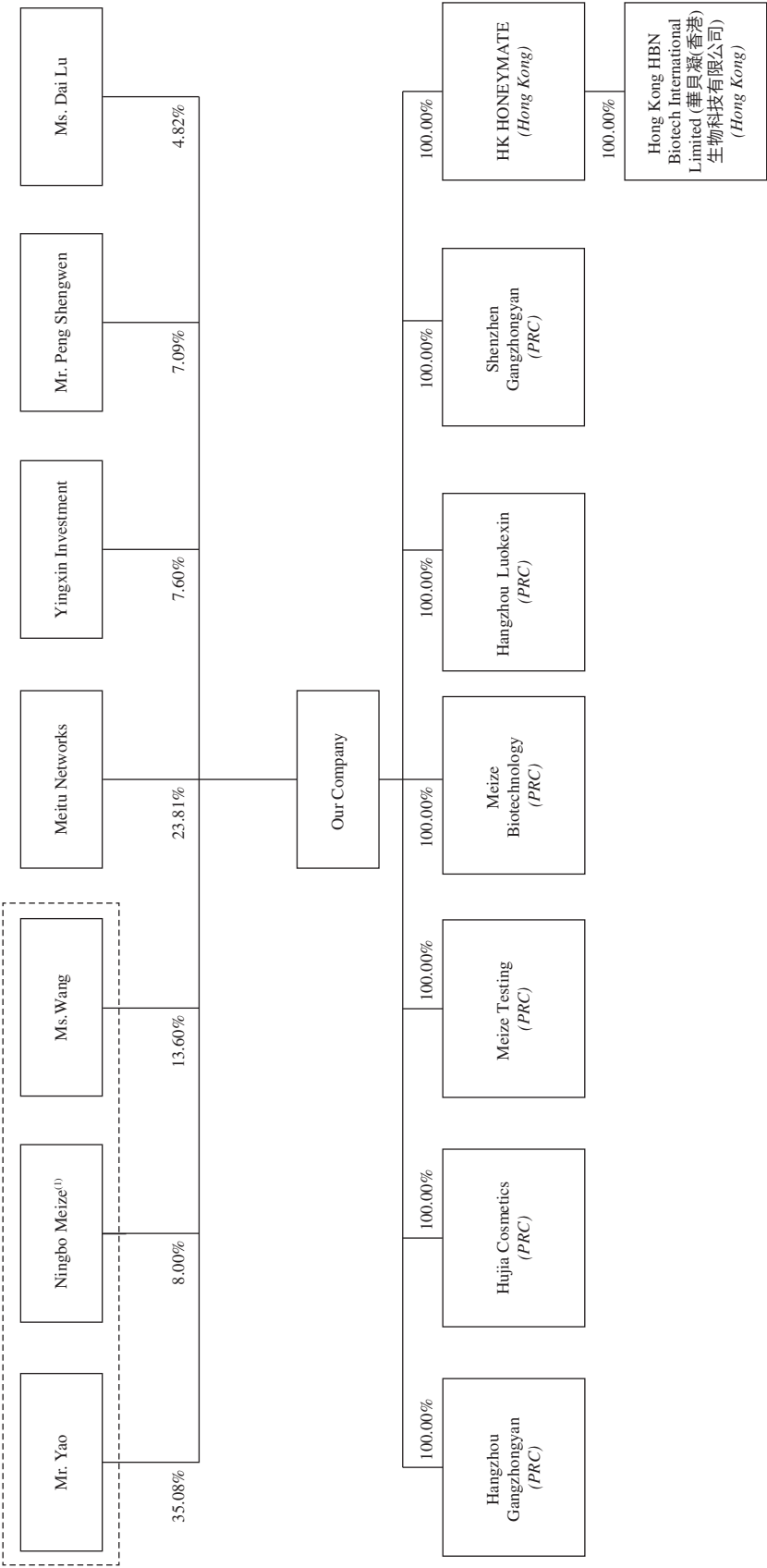
Note:

- (1) Certain percentage figures included in this table have been subject to the rounding adjustment. Accordingly, figures shown as totals in the table may not be an arithmetic aggregation of the figures preceding them.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately prior to the [REDACTED]

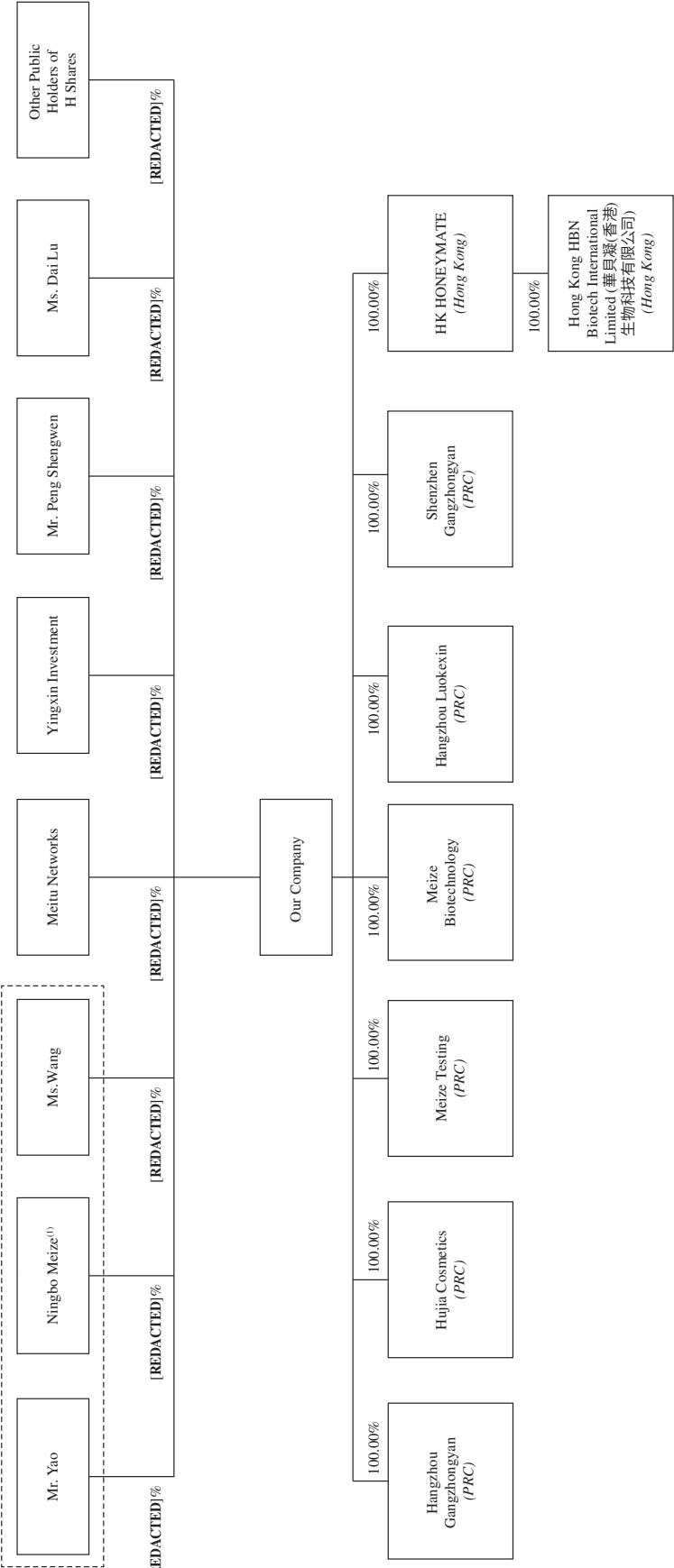


Note:

- (1) As of the Latest Practicable Date, Ningbo Meize is a limited partnership incorporated in the PRC in March 2023. The general partner of Ningbo Meize is Ningbo Hujia holding 0.1% partnership interest in Ningbo Meize. Ningbo Hujia is owned by Mr. Yao as to 99% and Ms. Wang as to 1%. The limited partner of Ningbo Meize is Mr. Yao holding 99.9% partnership interest in Ningbo Meize.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately upon Completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme)



Notes:

- (1) As of the Latest Practicable Date, Ningbo Meize is a limited partnership incorporated in the PRC in March 2023. The general partner of Ningbo Meize is Ningbo Hujia holding 0.1% partnership interest in Ningbo Meize. Ningbo Hujia is owned by Mr. Yao as to 99% and Ms. Wang as to 1%. The limited partner of Ningbo Meize is Mr. Yao holding 99.9% partnership interest in Ningbo Meize.
- (2) Certain percentage figures included in this table have been subject to the rounding adjustment. Accordingly, figures shown as totals in this chart may not be an arithmetic aggregation of the figures preceding them.

BUSINESS

OUR MISSION

Harnessing science to enrich life’s beauty.

OVERVIEW

Who We Are

We are a leading dermatological skincare brand in China, with a prominent position in the corrective skincare market. We established our HBN brand in 2019 with a commitment to “real effective care,” addressing consumers’ growing demand for skincare results backed by scientific evidence. Driven by innovations, we consistently explore the new frontiers for the efficacies of skincare products, offering, among others, corrective skincare products targeting anti-wrinkle, firming, brightening and whitening effects.

Guided by consumer insights, we have cultivated a scalable R&D system centered on interdisciplinary fundamental research, proprietary ingredients and formulations, innovative product design, and a holistic evidence-based validation system (全鏈路多維交叉驗證體系), which enables us to systematically achieve continuous product launches and upgrades. Our rigorous, multi-layer validation system mandates clinical testing by internationally recognized institutions for all products, and encompasses real-world studies at scale of up to tens of thousands of participants. We have been recognized by the Chinese Academy of Social Sciences (中國社會科學院) as one of the earliest brands in China to substantiate efficacy claims based on authoritative clinical evidence. We have also created a new model of consumer engagement with an emphasis on science and evidence. With authoritative evidence and science-led consumer education, we have cultivated a professional, sincere, distinctive and consistent brand image. We are the youngest among the top 10 domestic skincare brands in China in terms of the retail sales value of skincare products in 2024 and the largest domestic dermatological brand in terms of the retail sales value of corrective skincare products in China in 2024, according to the CIC report.

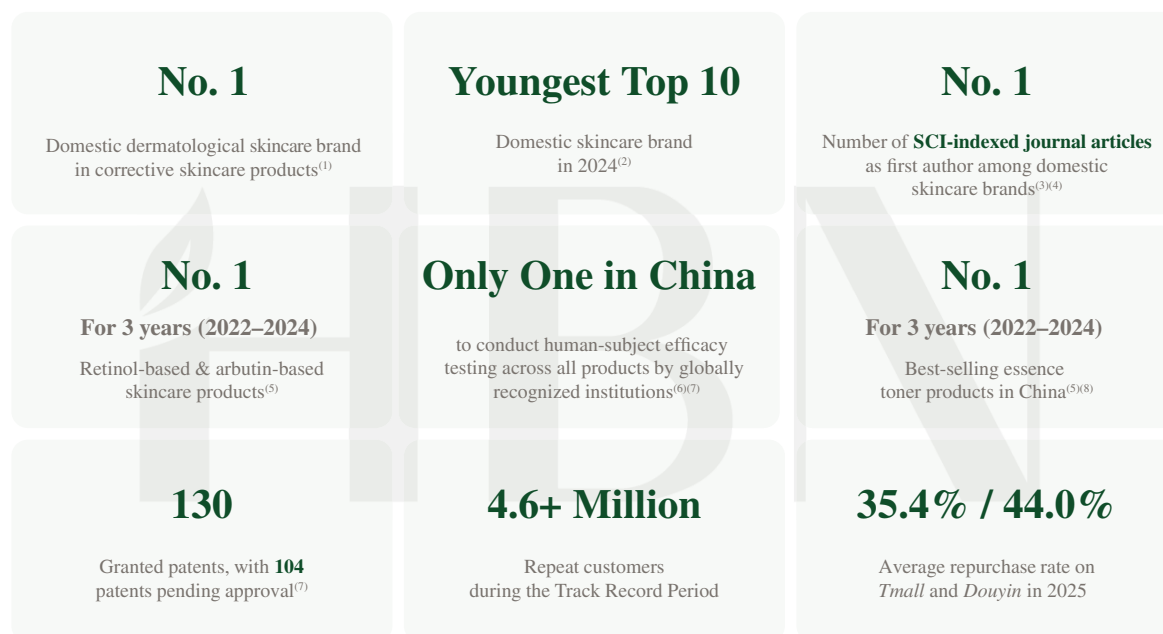
We have achieved industry breakthroughs in multiple key dimensions of China’s corrective skincare segment. As one of the earliest domestic brands to introduce the “Morning C Night A” (“早C晚A”) routine, we have become the leading brand in retinol-based skincare products in China, according to the CIC report. For the three consecutive years from 2022 to 2024, we ranked No. 1 in terms of the sales volume of retinol-based skincare products in China, and our α -arbutin revitalizing essence ranked No. 1 in terms of sales volume among essence toner products in China, according to the same source.

We pursue skincare innovations with sustained investment in R&D. Our fundamental research spans the underlying physiological and pathological mechanisms of skin conditions, active ingredients, innovative formulations, and advanced encapsulation and permeation enhancement technologies. As of December 31, 2025, we ranked No. 1 in terms of the number of articles published in SCI-indexed journals as first author among domestic skincare brands, according to the CIC report. Building on our R&D groundwork, we developed our proprietary bakuchiol ferulate, which is China’s first new retinol-analogue-based compound that completed new cosmetic ingredient filing, according to the same source. We have also led in peptide research as the second domestic brand that completed the filing of a new peptide cosmetic ingredient. As of September 30, 2025, we ranked No. 3 among domestic skincare brands in China in terms of the number of proprietary new cosmetic ingredient filings, according to the same source.

We are dedicated to enhancing the industry standards for the efficacy validation of skincare products in China. We are co-leading the development of the first Guiding Principles of Evidence Weighting for Cosmetics (化妝品功效證據權重評估指導原則) in collaboration with the Cosmetics Technology Center (化妝品技術中心) of the Chinese Academy of Quality and Inspection & Testing (中國質量檢驗檢測科學研究院) under the SAMR, the primary regulator of the Chinese cosmetics market. For the first time globally, this initiative proposes to establish a scientific framework for evaluating the weight of evidence supporting cosmetic efficacy, according to the CIC report. We are also among the earliest skincare brands in China to conduct large-scale real-world studies, with broadest participant coverage and leading data transparency, according to the same source. As of September 30, 2025, we were the only brand to have conducted human-subject efficacy testing through internationally recognized testing and certification institutions (e.g., SGS) across the entire product portfolio among major domestic and international skincare brands in China.

BUSINESS

The following diagram presents a selection of our major business achievements to date.



Source: the CIC report for industry related rankings

Notes:

1. In terms of 2024 retail sales value of corrective skincare products in China
2. In terms of 2024 retail sales value of skincare products in China
3. SCI refers to Science Citation Index, a widely used citation indexing system in academic research. The calculation of the number of journal articles as first author includes published articles authored by both the relevant company/brand and their employees
4. As of December 31, 2025
5. In terms of sales volume
6. Human-subject efficacy testing was conducted via internationally recognized testing and certification institutions (e.g., SGS)
7. As of September 30, 2025
8. Refers to our α -arbutin revitalizing essence

Our Brand and Products

Our brand

Since we launched our HBN brand in 2019, we have consistently focused on developing skincare products with scientifically validated efficacies. Before the NMPA significantly tightened the regulation of cosmetic efficacy claims in 2021, we had already cultivated capabilities across fundamental research, ingredients and formulations, efficacy validation and consumer engagement. With our distinctive brand identity and differentiated product positioning, we have promoted our philosophy of “real effective care” among consumers and become the brand of choice among consumers in China’s corrective skincare market according to the CIC survey, delivering unique quality-to-value proposition among domestic mid to high-end skincare brands. We ranked No. 4 among mid to high-end domestic skincare brands in China in terms of the retail sales value of skincare products in 2024, according to the CIC report.

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Our products

Our product portfolio spans both corrective and preventative skincare. Supported by our R&D system and innovation capabilities, we have developed multiple blockbuster products which have won consumer recognition since their launch. As of September 30, 2025, we had 36 SPUs under the HBN brand, through which we provide skincare products tailored to different skin types and suitable for all-day, multi-scenario use. The following picture illustrates our product portfolio.

Efficacy type	Representative products	Revenue in 2024 (RMB in millions)	Percentage of total revenue
Corrective skincare products		1,630.8	78.3%
Preventative skincare products		452.2	21.7%

Our corrective skincare products primarily target anti-wrinkle, firming, brightening and whitening effects, building around active ingredients such as retinol, α -arbutin and vitamin C, and caffeine, which have been extensively validated by international academia.

- Retinol and derivatives (“Night A”).** In 2019, we identified the strong demand among Chinese consumers for products addressing skin laxity and wrinkle. The Chinese market has historically lacked retinol-based products suitable for local skin types due to the irritation risks among East Asian populations despite their demand for efficacy. Through proprietary compounded formulations and innovations in encapsulation technology, we launched our retinol-based skincare product series in 2019, which delivered a balance between efficacy and gentleness, thereby rapidly gaining market acceptance. The flagship product of this series, our retinol firming night cream, has undergone three iterations to deliver continuous enhancements to formulation, efficacy and incorporate our proprietary ingredients that completed new cosmetic ingredient filings. Driven by continuous R&D, we have expanded both the efficacy and application scope of retinol-based products to include eye serums, neck creams, essence lotions and masks, building a comprehensive portfolio of retinol-based products. According to the CIC report, our retinol-based skincare products ranked No. 1 for three consecutive years from 2022 to 2024 in terms of sales volume in China.
- α -arbutin and vitamin C (“Morning C”).** In response to the growing consumer demand for brightening and whitening effects, we selected α -arbutin and vitamin C—both backed by robust scientific evidence—as the core active ingredients in the development of relevant products. We launched the first generation of our α -arbutin revitalizing essence in 2019, with the latest version incorporating new proprietary active ingredient combination and permeation enhancing formulations for enhanced performance. Building on this foundation, we have expanded our α -arbutin and vitamin C product portfolio to include creams, serums and masks. Since 2023, we have also introduced a new “Natural Bright” (原生白) product line with upgraded ingredients and formulations, further diversifying our offerings in the brightening and whitening skincare segment. According to the CIC report, we continue to rank No. 1 in terms

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of the sales volume and retail sales value of arbutin-based skincare products for five consecutive years from 2020 to 2024. Our α -arbutin revitalizing essence ranked No. 1 in terms of sales volume among essence toner products in China for three consecutive years from 2022 to 2024, according to the same source.

- **Caffeine.** During our R&D process, we identified a strong demand for targeted eye-care products due to aging and fast-paced lifestyles, given the thinner, more sensitive nature of periocular skin and its susceptibility to puffiness. Leveraging our research into the antioxidant and depuffing properties of caffeine, we launched the first generation of our caffeine firming repair eye cream in 2021. In the latest version, we applied our new proprietary ingredient that completed new cosmetic ingredient filing and added active ingredients to address vascular dark circles.

Leveraging synergies from R&D for corrective skincare, we have thoughtfully expanded into complementary categories of preventative skincare. For instance, recognizing dryness and irritation occasionally caused by retinol, we advanced our research into soothing mechanisms during product development, and applied new soothing and repairing ingredients to balance efficacy and tolerability. In 2020, we launched preventative skincare products including creams featuring fibronectin and panthenol. We further upgraded their formulations to include our yeast ferment filtrate, recombinant fibronectin and coreopsis extract in subsequent versions. Our preventative skincare offerings have since grown to encompass cleansers, makeup removers and sunscreens. The latest version of our advanced gentle foaming facial cleanser, a premium product designed for elevated user experience, quickly gained popularity by achieving retail sales value of RMB200 million by the ninth month after its launch in December 2024.

Our Market Opportunity

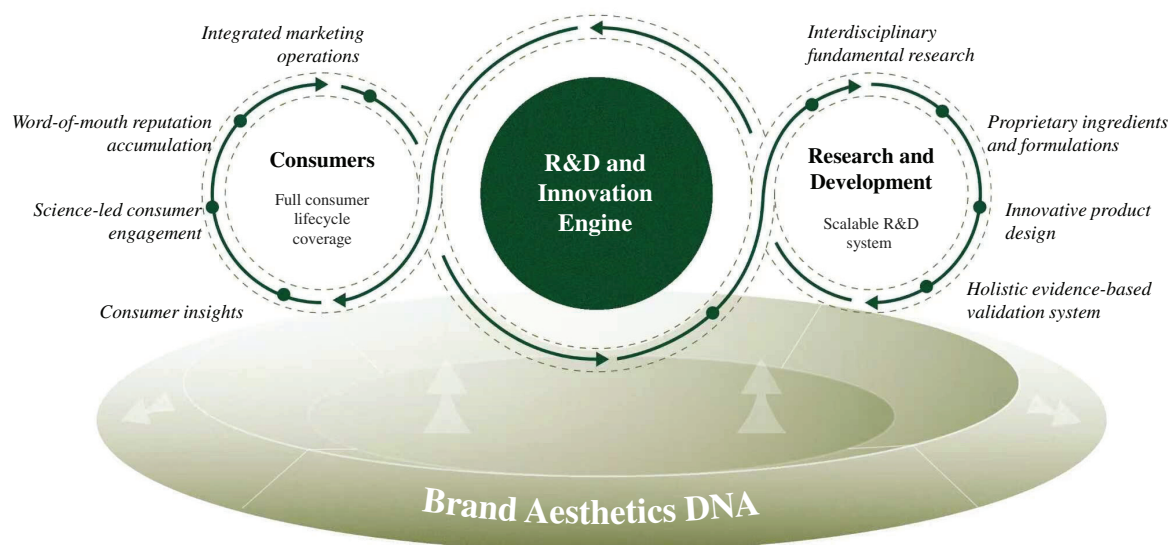
As consumers worldwide place increasing emphasis on the professionalism of skincare and the credibility of efficacy claims, dermatological cosmetics have been rapidly emerging as a key growth engine and focal point within the global cosmetics industry. In particular, dermatological skincare brands, which are built on science-based ingredients and formulation development and supported by R&D teams with medical or clinical backgrounds, possess capabilities spanning from ingredient development to clinical validation. They are widely perceived to deliver a high level of professional rigor and earning consumer trust.

China’s skincare market is large in scale with robust growth potential. According to the CIC report, China’s skincare market reached RMB461.9 billion in terms of retail sales value in 2024, ranking as the second largest market globally. Specifically, China’s corrective skincare market reached RMB233.8 billion in terms of retail sales value in 2024 at a CAGR of 13.9% from 2019 to 2024, much higher than that of the overall skincare market at 6.8% over the same period, according to the same source. China’s skincare market has progressed from nascent awareness of ingredients to high demand for transparency and credibility of efficacy claims, coupled with more stringent regulations over efficacy claims, which must be backed by evidence. According to the CIC survey, over 83% of the surveyed consumers indicate a stronger willingness to purchase skincare products with holistic efficacy validation compared to other skincare offerings. Against such backdrop, research capability, ingredient innovation, and efficacy validation have become increasingly important purchase considerations of Chinese consumers.

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Our Business Model

We are a forerunner to recognize and capture the paradigm shift in China’s skincare market. We believe that we are well-positioned to capture this opportunity by adhering to our pursuit for “real effective care” through R&D and innovations. The following paradigm is a simplified illustration of our business model.



We embody the concept of beauty in both the visual aesthetics of our products and the elegance of science, i.e., the authenticity, logic and explanatory power of our scientific groundwork. Guided by these principles, we have constantly built on our key capabilities in interdisciplinary R&D and science-led consumer engagement, and, together with our distinctive aesthetic presentation, we have developed a brand proposition that integrates rational aesthetics with science-led skincare.

- ***R&D and innovation capabilities driven by fundamental research.*** We are guided by a scientific ethos grounded in rigor and validation and have built a scalable R&D system that spans interdisciplinary fundamental research, proprietary ingredients and formulations, innovative product design, and a holistic evidence-based validation system. Leveraging our interdisciplinary R&D team, we consistently explore new ingredients and formulations, promote the efficient translation and cross-application of technologies, and convert our R&D endeavors into commercial successes.
- ***Consumer engagement anchored in science-based content.*** We engage with consumers throughout their lifecycle with science-based content. We approach consumers with science-led consumer education, establish trust through authoritative validation and multi-channel engagement, and stimulate consumer interests with our content and products aligned with the brand message conveyed. We also leverage cross-community and cross-disciplinary collaborations and differentiated content to expand our reach into broader consumer segments. Continual customer feedback then closes the loop by supporting our product upgrades and content optimization.

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- ***Brand presentation guided by aesthetic pursuits.*** Using “Retro Laboratory” visual signature as the foundation of our brand presentation, we design and customize our products and other customer touchpoints to deliver premium aesthetics. This visual signature allows consumers to associate our brand with scientific research and aesthetics that stand the test of time. Our design has received multiple high-profile domestic and international design recognitions, such as the Red Dot Design Award and the MUSE Design Award (gold winner).

Our Financial and Operating Performance

We achieved strong financial performance and enhanced profitability during the Track Record Period. Our total revenue increased by 6.9% from RMB1,948.0 million in 2023 to RMB2,082.9 million in 2024, and by 10.2% from RMB1,372.9 million for the nine months ended September 30, 2024 to RMB1,513.5 million for the nine months ended September 30, 2025. Our net profit increased by 232.5% from RMB38.8 million in 2023 to RMB129.1 million in 2024, with net profit margins of 1.9% and 6.2% for the same year, respectively, and our net profit increased by 190.3% from RMB49.8 million for the nine months ended September 30, 2024 to RMB144.5 million for the nine months ended September 30, 2025. Our adjusted net profit (non-IFRS measure) for 2023, 2024 and the nine months ended September 30, 2025 was RMB92.3 million, RMB129.4 million and RMB145.3 million, respectively, representing adjusted net profit margin (non-IFRS measure) of 4.7%, 6.2% and 9.6% for the same periods, respectively.

OUR COMPETITIVE STRENGTHS

Leading Dermatological Skincare Brand in China with a Prominent Position in the Corrective Skincare Market

We are a leading dermatological skincare brand in China. According to the CIC report, we ranked No. 4 among domestic dermatological skincare brands in terms of the retail sales value of skincare products in 2024, and No. 1 in terms of the retail sales value of corrective skincare products in 2024. We are the youngest among the top 10 domestic skincare brands in China in terms of the retail sales value of skincare products in 2024, according to the same source.

Since we launched our HBN brand in 2019, we have been committed to “real effective care” and consistently explore the new frontiers of skincare products through products with proven efficacy. Our rigorous multi-layer validation system mandates clinical testing by internationally recognized institutions for all products, and encompasses real-world studies at scale of up to tens of thousands of participants. We are among the earliest skincare brands in China to conduct large-scale real-world studies with the broadest participant coverage, according to the CIC report.

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We have cultivated a trusted brand identity and established ourselves as a top-of-mind brand in corrective skincare among consumers in China. In 2019, we introduced the “Morning C Night A” routine as one of the earliest advocates among domestic skincare brands. According to the CIC survey, HBN is the most recognized domestic brand in China’s corrective skincare market. Leveraging consumer insights, we have identified key pain points as Chinese consumers upgraded their skincare routines and built a differentiated product portfolio based on the skin types of East Asian population. During such process, we have achieved strong word-of-mouth referrals, built on proven efficacy, and cultivated a professional, sincere, distinctive and consistent brand image, which empowered us to achieve continual growth of average customer transaction value during the Track Record Period. Through real-world studies, content co-creation and customer feedback, we respond quickly and precisely to evolving needs and continuously drive product development and upgrades, which in turn fosters strong customer stickiness. We had over 4.6 million repeat customers during the Track Record Period, and we achieved an average repurchase rate on *Tmall* and *Douyin* of approximately 35.4% and 44.0% in 2025, respectively.

Scalable R&D System Integrating Consumer Insights, Fundamental Research, Ingredient Development and Scientific Validation

We have established a scalable R&D system spanning consumer insights, interdisciplinary fundamental research, proprietary ingredients and formulations, innovative product design, and a holistic evidence-based validation system, which promote the efficient and scalable commercialization of our R&D endeavors. We closely track consumer needs and shifting trends with real-world user sample base and translate consumer insights into our R&D foundation.

Interdisciplinary fundamental research with long-term perspective to reinforce foundation for proven efficacy

Our fundamental research system spans plant extraction, biosynthesis, microbial fermentation and chemical synthesis. This system is backed by our R&D team, which comprised 103 professionals as of September 30, 2025, with diverse expertise spanning dermatology, medicine, cell biology and synthetic biology, to enable interdisciplinary collaboration. We ranked No. 1 in terms of the number of articles published in SCI-indexed journals as first author among domestic skincare brands as of December 31, 2025, according to the CIC report.

Our fundamental research system underpins the technologies and efficacy of our products, extends our product lifecycle, and enables us to address key technical challenges, such as the stability and gentleness improvement of active ingredients. For instance, we have conducted extensive studies on the mechanisms by which retinol benefits the skin, e.g., regulating the growth of skin blood vessels and boosting collagen production. We presented these findings at the 16th International Congress of Skin Ageing & Challenges Conference in Spain in November 2025. We have also gained extensive insights through in-house research into α -arbutin, from which we now understand that it can stabilize mitochondria in skin cells, aside from its commonly known benefits. Moreover, we have developed proprietary encapsulation and transdermal delivery technologies to address challenges to the use of active ingredients in skincare products.

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Proprietary ingredients to drive efficacy innovations and create competitive barriers

We have built capabilities encompassing ingredient screening, testing and regulatory filing, empowering in-house ingredient development and formulation innovations. We have developed a proprietary new ingredient portfolio deployed across our product portfolio, which strengthens the uniqueness of and our control over ingredients and enables us to effectively deliver differentiated products to market at scale. As of September 30, 2025, we ranked No. 3 among domestic skincare brands in China in terms of the number of proprietary new cosmetic ingredient filings, according to the CIC report.

We focus on delivering “holistic efficacy,” rather than optimizing single ingredients in isolation. With research backed by scientific literature, experimental screening and multi-cellular models, we design formulations with optimal ratios and synergistic mechanisms across multiple active ingredients and fulfill our formulation development process in house. This approach enables an advancement from ingredient-level innovation to system-level efficacy. For instance, Complex-ATRA[®], our proprietary and patented retinol complex shows significant enhancement in skin cell DNA repair and boosts collagen production compared to retinol in isolation.

Holistic evidence-based validation system to ensure product efficacy and safety

We have established a unique holistic evidence-based validation system that spans laboratory mechanism research, *in vitro* and *in vivo* validation, human clinical testing and real-world studies, which enables us to address long-standing industry pain points such as information opacity and difficulty in substantiating efficacy claims. We collaborate with Grade 3A hospitals and other authoritative third-party institutions, and employ multi-layer validation methods, with an aggregate of more than 260 testing dimensions as of December 31, 2025. As of September 30, 2025, we were the only brand to have conducted human-subject efficacy testing through internationally recognized testing and certification institutions (e.g., SGS) across the entire product portfolio among major domestic and international skincare brands in China. In 2022, we launched our real-world study on anti-wrinkle at scale, which was expanded to more than 14,000 individuals participating in a 28-day study in aggregate by 2024. This study was witnessed by SGS and supported by SGS-issued data, thereby providing consumers with high credibility through the combination of human subjects and independent validation. Currently, we are co-leading the development of China’s first Guiding Principles of Evidence Weighting for Cosmetics in collaboration with the Cosmetics Technology Center of the CAQIT. This initiative aims to set a higher standard for China’s cosmetics market, boost consumers’ confidence, and enhance global R&D competitiveness of domestic brands.

Scalable R&D capabilities across product categories

We have built a systematic and scalable R&D “middle platform,” which enabled us to develop our products in house across different categories and achieve synergies and accumulate know-how during this process. This R&D platform entails *in vitro* studies which include cells models, 3D skin models, followed by *in vivo* testing, allowing us to research a broad range of physiological and pathological mechanisms and the efficacies of various ingredients and formulations. Initially developed for our “Morning C Night A” skincare product series, this platform also supports the development of other proprietary ingredients such as coreopsis extract. Furthermore, our technologies can be applied across product categories. For instance, our proprietary transdermal delivery technologies, including Actcoco[®] Golden Microcapsule technology and *Speeder* permeation enhancer, have been widely applied across our products.

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Blockbuster Products among a Tiered Product Portfolio Balancing Sustainability and Growth

We successfully create blockbuster products with long life cycles

We strategically target the corrective skincare segment characterized by high technical barriers, low penetration and strong growth potential, with a focus on key efficacy areas including anti-wrinkle, firming, brightening and whitening. We were among the earliest domestic skincare brands to overcome key challenges associated with retinol stability and irritation, and α -arbutin permeation and stability in China, pioneering the “Morning C Night A” skincare routine to achieve its commercialization at scale. With our disciplined product innovation and strong execution, we launched blockbuster products such as retinol firming night cream and α -arbutin revitalizing essence.

Our products demonstrate long life cycles and sustainable competitiveness. As of December 31, 2025, our key “Morning C Night A” product duo, comprising α -arbutin revitalizing essence and retinol firming essence lotion, achieved cumulative sales volume of more than 30.0 million units. With our proprietary ingredient and formulation technologies, we continuously launch and upgrade our products, incorporating customer feedback to enhance product attributes and market fit.

We launched our retinol firming night cream in 2019 as an early entrant into the anti-aging skincare segment and achieved cumulative retail sales of retinol skincare products exceeding RMB100 million within 15 months from its launch. We have rolled out three iterations for this product since its launch to adopt new encapsulation technology, ingredients and formulations, which serve to enhance penetration efficiency, elevate gentleness and deliver improved efficacy, thereby elevating skincare experience. Driven by such successive upgrades and robust sales growth of this product line, our retinol-based skincare products ranked No. 1 for three consecutive years from 2022 to 2024 in terms of sales volume in China, according to the CIC report.

We launched α -arbutin revitalizing essence in 2019, which gained rapid market acceptance following launch. Our α -arbutin-based skincare products achieved cumulative retail sales value exceeding RMB100 million within 16 months of its launch. We further introduced active and soothing ingredients to elevate our product efficacy, stability and gentleness. Driven by the continued robust performance of α -arbutin revitalizing essence, we continued to rank No. 1 in terms of the sales volume and retail sales value of arbutin-based skincare products in China for five consecutive years from 2020 to 2024, according to the CIC report.

We build a tiered product portfolio to drive steady growth

We have built a tiered product portfolio around various skincare needs. In the corrective skincare categories such as anti-wrinkle and whitening, we expand our offerings beyond our blockbuster products and formed a tiered portfolio to drive our growth. As we realize soothing and repair effects as complementary R&D areas in the development of our corrective skincare products, we thoughtfully expanded to preventative skincare products and introduced multiple market-leading preventative skincare products across cleansers, sunscreens and repair categories.

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We consistently enrich and upgrade our product portfolio with new products, ingredients and formulations, which creates new growth potential and extends our product lifecycle. In August 2022, we launched our caffeine firming repair eye cream in which we applied our proprietary coffee ferment filtrate. This product delivers strong brightening performance and visible firmness effects according to 28-day real-user testing results. We also launched new products with new formulations to achieve better synergies across ingredients. For instance, by applying our proprietary and patented combination of retinol, retinol derivatives and other ingredients, we further enriched our product portfolio with our retinol firming essence lotion, retinol firming night cream, and premium firming essence cream, for enhanced effects compared with retinol used in isolation.

Since 2023, we have launched new products such as “Natural Bright” product line. These products adopt our proprietary high-purity α -arbutin-based compounded ingredient system, which demonstrates significant improvements in dullness, pigmentation reduction and skin brightness according to SGS-certified 28-day real-user results. In 2025, we further upgraded multiple products across efficacy types, unlocking additional growth potential.

Innovative Consumer Engagement Emphasizing Science and Evidence to Foster Trust and Support Brand Value Growth

We create a consumer engagement model with an emphasis on science and evidence. Our integrated marketing operation is anchored in science-led content operations and spans market insights, brand building, sales conversion and customer management, around the full consumer lifecycle. We focus on the compounding effect of long-term value creation, steadily building trust and strengthening brand value over time.

Our integrated marketing operation supports consumer conversion from awareness to purchase. We approach customers with science-led consumer education, establish trust through authoritative validation and multi-channel engagement, and stimulate consumer interest with our content and products aligned with the brand message conveyed. For instance, in February 2025, we launched the SGS-certified desert sunscreen challenge to assess the performance of our sunscreen product under extreme conditions. The initiative tests the functional limits of sunscreen products, strengthens our market visibility, and enables us to lead in sunscreen product innovations in China. Thanks to such initiative, our sunscreen product ranked No. 1 among new sunscreen products for the 618 Shopping Festival on *Tmall* in terms of sales volume in 2024.

We leverage differentiated content and interdisciplinary collaborations to reinforce our brand image and amplify our influence. Our systematic, comprehensive content planning mechanism supported our coherent brand building. For instance, in 2022, we jointly created a documentary on the science of skin aging with Discovery Channel, sharing our perspectives on skincare science with the global audience. In 2023, we published the White Paper of “Natural Bright” (原生白護膚白皮書), through which we leverage scientific research and market insights to recalibrate perceptions of brightening and whitening. This launch was followed by an integrated campaign themed “*Be Your Own Light*” (不必成為誰•原生自有光) to convey compelling narrative of self-empowerment. Additionally, we collaborate with KOLs across academia, medicine, law and professional media to broaden our customer reach and strengthen brand credibility through cross-community and cross-disciplinary collaborations. For instance, in 2025, we hosted an interdisciplinary discussion with esteemed scholars, which became a top-viewed content with related online engagement of over 14.3 million views on *Weibo*.

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We have developed effective sales strategies built on precision targeting, efficient conversion and disciplined cost control. We implement tailored strategies with strong cross-channel coordination to ensure the alignment of target consumers, demand profiles, products and channels. For instance, we leverage the category-specific channels on *Douyin* to achieve precise targeting, and we conduct periodical collaborations with high-profile KOLs before major shopping events on e-commerce platforms to timely boost relevant traffic. We also enforce standardized price management to maintain cross-channel price consistency, preserve brand integrity, and protect our long-term brand value. Our customer service team, including skincare consultants with technical expertise and product advisory capabilities, deliver personalized advice and timely support throughout the consumer lifecycle, from pre-sales to purchase and after-sales. This not only compensates the lack of offline technical recommendations in online sales and improves consumer experience, but also functions as a critical mechanism for customer feedback collection to support our product upgrades and content optimization.

Rigorous Quality Controls and Efficient Supply Chain to Support Product Quality and Safety

Dermatological skincare products are characterized by compound formulations and high concentrations of active ingredients, which impose higher technical and safety requirements. Market participants tend to face structural challenges in maintaining efficacy consistency and regulatory compliance, particularly where active ingredient performance varies across environments and production conditions. For instance, retinol is inherently unstable and requires formulation designs that balance concentration, stability and bioavailability. To address these challenges, we have established a high-standard quality control system to ensure product efficacy and safety.

End-to-end quality control system to ensure coordinated quality management

Our quality control system encompasses the full product lifecycle from R&D to logistics and is modularized to each key step along our supply chain, which balances supply chain flexibility and efficiency with product quality, safety and efficacy. We adhere to stringent quality management, where our comprehensive, systematic quality control procedures are carried out in phases ranging from monthly to annual evaluations, covering multiple aspects such as active ingredients, high-risk substances and allergens.

Our raw material management includes in-house testing of multiple key active ingredients, supported by fingerprint profiling and stability baselines for enhanced effectiveness. Our key raw materials including retinol and α -arbutin are subject to testing by our CNAS-accredited laboratory prior to acceptance and periodic cross-validation by third-party institutions. For packaging materials, we require supplier self-inspection, and implement internal inspection and third-party testing, to evaluate key metrics such as compatibility and hazardous substance. In addition, we maintain a dynamic risk assessment system for our raw materials and packaging materials based on regulatory developments to design appropriate risk management measures accordingly. Our agreements with suppliers set forth explicit quality requirements and defined accountability mechanisms. We customize key raw material control measures for each relevant supplier, and our quality control department conducts quarterly spot checks on our suppliers. Additionally, we implement quarterly batch testing to ensure efficacy conformity, full inspection of intermediates, strict process parameter controls, and immediate halt of product shipment and circulation if any quality issue is identified at the manufacturing and warehousing stage.

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Flexible supply chain management system to drive operational efficiency and cost optimization

Our data-driven supply chain system integrates sales forecasting and production planning models based on annual and quarterly financial targets, supported by daily real-time monitoring and dynamic adjustments to maintain inventory stability and supply chain resilience. We efficiently coordinate our R&D center, in-house manufacturing facility, and raw material suppliers to accelerate formulation testing, technology implementation and sample production, thereby shortening product development and upgrading cycles.

We currently implement a dual approach to manufacturing, where our specialized manufacturing facility mainly focuses on proprietary ingredient development and premium product manufacturing to support innovation and quality, and we outsource the production of standardized, commercialized products to qualified outsourced manufacturers with reliable track records. This approach has enabled us to efficiently scale up our business and achieve cost optimization. Additionally, we implemented digital distribution systems to enable proximity-based dispatch and efficient order fulfillment.

Visionary Management Team with Pursuits for Innovation and Adherence to Disciplined Execution

Our stellar performance to date is backed by our visionary management team, who have led our fast ascent to various industry leading positions. They bring in deep industry insight and extensive practicable experience, identify and prioritize critical objectives across our core business functions and personally drive transformative decisions with a strong sense of accountability and execution. This approach allows us to respond effectively to operational challenges and ensure that we efficiently translate our strategic decisions into measurable outcomes.

With an average age of approximately 28, our team is young and dynamic, combining curiosity, creativity, strong execution capability and a collaborative mindset. We operate under a flat organizational structure that enhances communication efficiency and accelerates decision-making and execution, while maintaining clear role definition and orderly operations, enabling agile responses to market changes and supporting high-quality growth.

We promote a corporate culture of pragmatism, excellence and long-term commitment, emphasizing accountability, execution discipline and continuous learning. This culture forms an internal driving force for sustainable development and is deeply integrated with our scientific ethos grounded in rigor and validation, which encompasses our R&D, consumer communication and brand building.

We are also committed to fulfilling our corporate social responsibilities and contributing to industry development. For instance, through our “Walking with Light” (與光同行) social responsibility initiative, we advocate for women’s health and education while promoting scientifically grounded skincare concepts. Through the documentary series “The Resolve to Seek Truth” (求真的決意) and cross-disciplinary collaborations with authoritative media, we incorporate the spirit of scientific inquiry into our brand narrative, enhancing our corporate culture and social impact.

OUR GROWTH STRATEGIES

Deepen Investment in R&D and Reinforce Our Technological Advantages

We have consistently focused on building and refining our R&D system in frontier dermatological skincare areas. Through our interdisciplinary fundamental research, we will continue to advance our understanding of the underlying mechanisms that drive skincare efficacy. We will actively explore the application potential of leading domestic and international research outcomes in dermatology and skincare. Through such process, we aim to expand fundamental research in ingredient innovation and formulation optimization, strengthening our scientific depth and establishing sustainable technology barriers in different efficacy areas.

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We place strong emphasis on the proprietary research and innovation of new ingredients. We plan to further enhance our ability to secure our ingredients supply and provide greater flexibility for future product innovations. We will continue to refine formulation technologies to achieve an optimal balance among efficacy and skin tolerance.

We will continue to reinforce our holistic evidence-based validation system. We plan to systematically conduct multi-dimensional, long-term and large-scale efficacy validation covering targets, formulations and products. These validation outcomes will be continuously fed back into product development, further enhancing efficacy and safety across our product portfolio. We also intend to promote the establishment of authoritative validation system leveraging collaborations with research and academic institutions and Grade 3A hospitals.

We will continue to combine in-house and collaborative R&D. We intend to strengthen and expand our R&D team, and further deepen and refine our research in key disciplines. To effectively implement our R&D strategies, we will also enhance the capacity and capabilities of our R&D facilities. In addition, we will pursue collaborations with top-tier external partners, such as research and academic institutions and Grade 3A hospitals, to enhance our ability to identify frontier technologies and accelerate their commercialization.

We aim to further advance the standard establishment for China’s skincare industry. Going forward, we plan to actively participate in industry standard development and promote the establishment of more scientific, rigorous and transparent efficacy evaluation frameworks. Through the continued dissemination of professional skincare knowledge and the sharing of scientific validation outcomes, we aim to contribute to healthy industry competition and collective industry advancement, provide consumers with more authoritative decision-making references, and support the high-quality development of China’s skincare industry.

Drive Growth through Enhanced Product Portfolio to Address a Wider Consumer Base

We will continue to advance the innovative application and commercialization of domestic and international scientific research outcome, leveraging our strong foundation in fundamental research to expand our product categories and develop competitive new products. Specifically, we will continue to upgrade existing blockbuster products by refining formulations and enhancing performance to reinforce our market leadership. We also plan to develop a diversified efficacy portfolio to broadly and precisely address varying consumer demand for skincare routines and more effectively serve different skin types and age groups. We will also identify efficacy areas with verifiable targets backed by strong global research and significant commercial potential to promote the efficient conversion of R&D outcomes. Additionally, we will maintain our focus on distinctive product aesthetics, to ensure laboratory-grade functional packaging, such as light and temperature protection, and offer more user friendly experience.

Furthermore, we intend to explore new brand incubation opportunities and selectively pursue investments, acquisitions or strategic partnerships with targets of complementary value to us along our industry value chain with potential synergies. These initiatives will enable us to better address diverse consumer needs, strengthen the competitiveness of our products and expand our market coverage. As of the Latest Practicable Date, we had not identified or entered into any agreement for any potential investment or acquisition targets.

Elevate Brand Recognition for Efficacy and Aesthetics and Expand Omni-channel Outreach

We have consistently conveyed our brand image with science-led content and aesthetic narratives and engaged consumers with refined visual expression to deepen long-term brand resonance. Going forward, we plan to move beyond conventional skincare marketing by extending collaborations with artists and cross-disciplinary scholars, fostering a more scientific, healthy and sustainable brand image.

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We will continue to spread professional skincare knowledge and carry out consumer education, through science-led and scenario-based consumer education. This will reinforce our professional brand image and deepen consumers’ association between the HBN brand and efficacy.

In addition to major e-commerce platforms, we plan to further expand our presence across online platforms and further develop online retailer and distributor network. We will continue to enhance our integrated marketing operating system by building dedicated teams. We plan to implement channel-specific marketing strategies customized to consumer preferences, offer tailored benefits for different membership tiers, and establish closed-loop, full-lifecycle management spanning consumer insights, content coverage, precision marketing and word-of-mouth accumulation to drive conversion, repeat purchases and long-term consumer engagement.

Furthermore, we plan to expand our presence at high-quality offline locations to capture incremental market opportunities. With differentiated product strategies tailored to specific consumption scenarios, we will broaden offline distribution and direct sales channels, with a focus on counters, concept stores and pop-up stores in key commercial districts of Tier 1 and Tier 2 cities and advance the development of our directly operated retail network. Moreover, we will enhance the standardization of our retail sales network, strengthen employee training, including the training of our skincare consultants, and ensure our product descriptions are scientifically accurate. By implementing regular evaluations to improve store-level performance, we aim to build a resilient, integrated online-to-offline growth model.

Scale Manufacturing Capacity, Enhance Digital Operations and Increase Global Market Presence

We plan to establish new manufacturing facilities to address the expanding needs of our business operations. Together with our existing specialized manufacturing facility, these facilities will function as our R&D and production validation platform, strengthen the confidentiality of our core formulations and processes and enhance our manufacturing capacity.

We plan to comprehensively enhance our digital operations capabilities to support technology-driven, high-quality growth. We intend to establish a digital middle platform that integrates data across core corporate functions, including consumer insights, R&D, procurement, product delivery and other operations, enabling end-to-end connectivity and cross-functional collaborations. This middle platform will support our full-cycle digital management from demand analysis, R&D and product development to product delivery, to improve our operational efficiency and responsiveness.

We plan to actively promote the overseas expansion of domestic dermatological skincare brands, increase our global market presence, and expand our overseas business. As of the Latest Practicable Date, we had initiated to sell our products in Southeast Asia and Hong Kong through third-party overseas e-commerce platforms and distributors. In terms of sales and marketing channels, we plan to enhance brand visibility through emerging international social media platforms and increase market penetration via direct-to-consumer (“DTC”) websites, overseas e-commerce platforms and offline distribution networks. In terms of team building, we will adopt a localized operating strategy with experienced local professionals to support effective brand management and market execution in overseas markets.

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OUR PRODUCTS

We are a leading dermatological skincare brand in China, with a prominent position in the corrective skincare market. As one of the earliest domestic brands to introduce the “Morning C Night A” (“早C晚A”) routine, we have become the leading brand in retinol-based skincare products in China, according to the CIC report. We ranked No. 4 among domestic dermatological skincare brands in terms of the retail sales value of skincare products in 2024, and No. 1 in terms of the retail sales value of corrective skincare products in 2024, according to the same source.

We offer a broad range of corrective and preventative skincare under our HBN brand. Our corrective skincare products primarily target signs of skin aging and oxidative damage such as wrinkles, hyperpigmentation and dullness, and our preventative skincare products primarily address demands for daily routines, including cleansing, maintenance of a healthy skin barrier and protection against UV. The functions of our products center around the deployment of our key active ingredients, such as retinol, α-arbutin, caffeine and peptides, as well as formulations and transdermal delivery technologies to ensure the efficacies of the active ingredients while improving gentleness. Our products come in various types, including primarily essences and serums, lotions, creams, cleansers and sunscreens. As of September 30, 2025, we had 36 SPUs and we sold all of our products under the brand of HBN. The following picture illustrates our selected products.



The following table sets forth a breakdown of our revenue by efficacy type in absolute amount and as a percentage of our total revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentages)								
					(Unaudited)		(Unaudited)	
Corrective skincare products . .	1,593,714	81.8	1,630,755	78.3	1,090,140	79.4	1,189,834	78.6
Preventative skincare products .	354,265	18.2	452,166	21.7	282,784	20.6	323,666	21.4
Total	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0

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

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentages)								
					(Unaudited)		(Unaudited)	
Essences and serums ⁽¹⁾	734,630	37.7	706,861	33.9	472,326	34.4	501,058	33.1
Lotions	270,819	13.9	296,433	14.2	194,749	14.2	245,604	16.2
Creams	693,857	35.6	707,830	34.0	478,846	34.9	476,692	31.5
Others ⁽²⁾	248,673	12.8	371,797	17.9	227,003	16.5	290,146	19.2
Total	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0

(1) Our essences and serums include both toners, such as essence toners, and serums.

(2) Others primarily include cleansers and sunscreens.

Our products are distinguished by the use of scientifically proven active ingredients that deliver measurable skincare efficacy. Backed by extensive global research and clinical evidence, our core active ingredients currently include retinol, α -arbutin, caffeine and peptides, each contributing distinct dermatological benefits and forming the foundation of our major skincare product series.

- **Retinol.** Retinol, a derivative of vitamin A, promotes epidermal renewal and stimulates collagen synthesis, helping to visibly reduce wrinkles and improve skin firmness. We use a compounded formulation with a variety of vitamin A derivatives to allow them to deliver benefits to the skin in a sustained manner.
- **α -arbutin.** α -arbutin, a safe and effective derivative of hydroquinone synthesized from natural sources, inhibits tyrosinase activity to regulate melanin production and contributes to a brighter and more even complexion. We pair α -arbutin with vitamin C and its derivatives to deliver powerful antioxidant and skin brightening effects.
- **Caffeine.** Caffeine, found in coffee beans, provides antioxidant protection, promotes skin revitalization and contributes to depuffing.
- **Peptides.** Peptides are molecules composed of multiple amino acids. Peptides come in various forms that offer diverse skincare benefits ranging from barrier repairing to wrinkle reduction.

Our proprietary active ingredients are key to the efficacies of our products, which further support our ability to consistently bring differentiated innovations to market at scale. Some of them function as improvements over conventional ingredients, and others work synergistically with different ingredients to deliver better results. As of September 30, 2025, we ranked No. 3 among domestic skincare brands in China in terms of the number of proprietary new cosmetic ingredient filings, according to the CIC report. As of the Latest Practicable Date, we filed the following four new cosmetic ingredients with the NMPA. According to the CIC report, we are the first in China to obtain filings of these four ingredients.

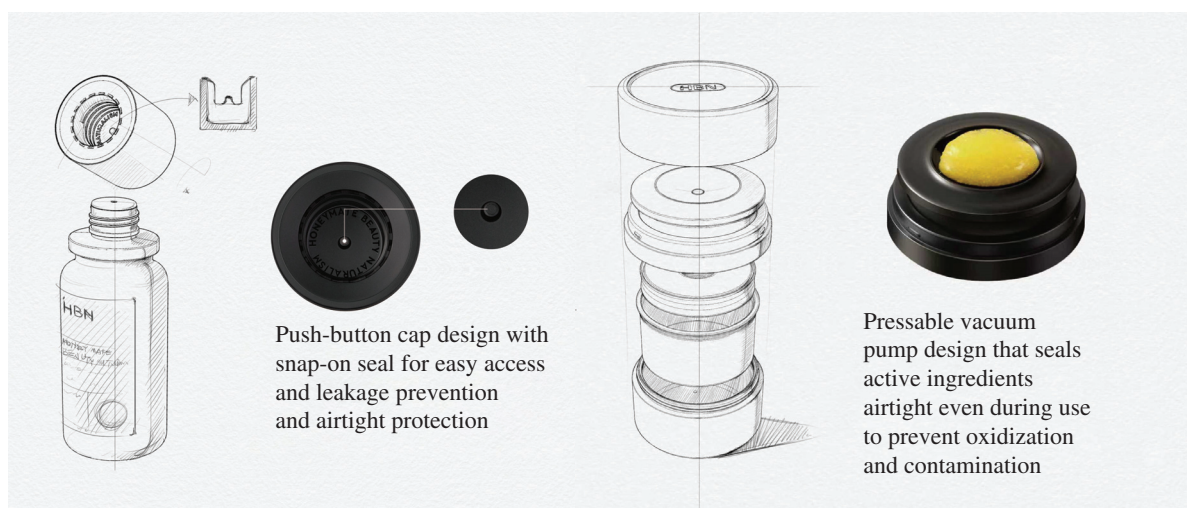
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- ***Bakuchiol ferulate*** (補骨脂酚阿魏酸酯). Bakuchiol stimulates collagen production like retinol but with improved gentleness to the skin. Ferulic acid works synergistically with retinol and bakuchiol to boost their efficacies.
- ***Coffee ferment filtrate*** (乳酸桿菌/小粒咖啡籽發酵產物濾液). Collaborating with Yunnan Agricultural Engineering Research and Design Institute, we carefully select the variety of coffee beans grown in Yunnan, and then use a proprietary process of fermentation to increase the concentration of caffeine and other beneficial compounds in the coffee beans. As of the Latest Practicable Date, we registered one patent for our coffee-based eye cream formulation.
- ***Coreopsis tinctoria flower extract*** (兩色金雞菊花提取物; “*coreopsis extract*”). Coreopsis extract is known to have soothing and repairing properties. Having conducted intensive research, we further discovered its anti-photoaging effects. As of the Latest Practicable Date, we registered one patent for a proprietary method to extract okanin, the key active molecule, from coreopsis extract.
- ***Acetyl tripeptide-30 citrulline*** (乙酰基三肽-30瓜氨酸; “*citrulline firming peptide*”). We have studied and proven the anti-inflammatory, antioxidant and repairing effects of citrulline firming peptide. We continue to research the efficacies of citrulline firming peptide itself and in conjunction with other active ingredients.

We have developed various proprietary formulations that combine existing materials and our novel ingredients. Together with our proprietary encapsulation and transdermal delivery technologies, we are dedicated to addressing three common challenges to the use of active ingredients in skincare products: stability of the ingredient, irritation of the skin, and absorption.

- ***Complex-ATRA®***. Complex-ATRA® is our proprietary and patented retinol complex, which is a combination of retinol, phytol and two retinol derivatives. Our peer-reviewed research article published in an SCI-indexed journal shows significant enhancement in skin cell DNA repair and boosting collagen production with this formulation compared to retinol in isolation.
- ***Actcocoan® Golden Microcapsule technology***. Using our patented Actcocoan® technology, we wrap retinol derivatives within small yet visible lipid-based capsules with a golden hue, suspended in creams and lotions. This encapsulation technology allows the ingredients to be released into deeper layers of the skin in a sustained manner.

In developing our products, we pay close attention to the details that enhance both efficacy and user experience. We designed protective packaging that helps safeguard active ingredients, incorporated airtight systems to maintain freshness and minimize residue, and introduced user-friendly features that ensure clean and precise dispensing.



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Our Product Portfolio

Our product portfolio consists of two categories: corrective skincare products and preventative skincare products, designed to deliver targeted efficacy based on specific skin types and aging patterns. Our corrective skincare products focus on addressing skin concerns through high-efficacy, science-based ingredients and formulations, and are anchored by our signature “Morning C Night A” routine. This regimen pairs our “Morning C” series for brightening and whitening effects with our “Night A” series for anti-wrinkle and firming effects, while also including a range of other specialized corrective skincare products formulated to maximize results through advanced active ingredients. Our retinol-based skincare products and α -arbutin-based skincare products were also the fastest in their respective categories to achieve cumulative retail sales value exceeding RMB100 million among domestic brands, according to the CIC report. Complementing our corrective skincare products, we also offer a dedicated range of preventative skincare products, ensuring that each product line delivers targeted efficacy for daily routines.

Corrective skincare products—“Night A” series

Our “Night A” series is strategically formulated to address the visible manifestations of both intrinsic biological aging and environmentally induced extrinsic aging, specifically targeting clinical concerns such as wrinkles and loss of elasticity. This series is underpinned by our extensive in-house fundamental research. As of December 31, 2025, our retinol-based products had undergone rigorous lab and clinical testing with approximately 3,000 human subjects. By translating these scientific findings into high-efficacy products, we employ a comprehensive approach that integrates potent active ingredients with advanced formulation to promote skin firmness. Each product in this series has been tested in clinical studies conducted by SGS to show measurable, statistically significant improvements after 28 days of use in various indicators of skin aging, including laxity, wrinkles and dullness. According to the CIC report, our retinol-based skincare products ranked No. 1 for three consecutive years from 2022 to 2024 in terms of sales volume in China.

Retinol firming night cream (視黃醇緊塑煥活晚霜)



The retinol firming night cream is one of our signature “Night A” products, designed to improve skin firmness and reduce the appearance of wrinkles during overnight skin renewal. Launched in 2019, the 1.0 version employed our Complex-ATRA[®] formulation and our Actcoco[®] technology to enhance permeation efficiency and improve gentleness. In 2025, the 3.0 version additionally integrated three proprietary ingredients including bachuchi[®] ferulate, coreopsis extract, and citrulline firming peptide, together with our ALC126 biomimetic encapsulation technology. Its formula is further enriched with key proteins in the extracellular matrix and a plant extract, which help strengthen the skin barrier and improve hydration. A recognized university-affiliated Grade 3A hospital in Guangzhou certified that even users with sensitive skin can tolerate this product. As of September 30, 2025, the suggested retail price of this product was RMB339 at a standard size of 50g.

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Retinol firming essence lotion (視黃醇塑顏精華乳)



The retinol firming essence lotion is our “Night A” product within our flagship “Morning C Night A” product duo, featuring Complex-ATRA[®], our proprietary retinol complex, to enhance skin firmness. We initially launched the 1.0 version of this product in 2019 and further upgraded this product in 2023 by adding phytol and inositol for better water retention and anti-wrinkle effects while improving gentleness, and adding new ingredients for supplemental brightening effects. As of September 30, 2025, the suggested retail price of this product was RMB229 at a standard size of 120mL.

Premium day & night firming cream (臻顏恒采精萃霜)



The premium day & night firming cream is a high-end cream featuring our patented coreopsis extract. Tailored for customers with sensitivity to retinol, we adopted active ingredients with similar efficacies to retinol, including phytol, silymarin and teprenone. As these ingredients are stable under sunlight, this product can be used as a day or night cream. To further enhance its efficacy during daytime, we have also added potent antioxidant, anti-inflammatory and soothing ingredients to mitigate oxidative damage. As of September 30, 2025, the suggested retail price of this product was RMB689 at a standard size of 50g.

Premium firming essence cream (御顏緊塑精萃霜)



The premium firming essence cream is a high-end cream featuring Complex-ATRA[®] and coreopsis extract. It additionally combines five signal peptides to boost skin rejuvenation, ferulic acid which works synergistically with retinol, and a patented Pro-Xylane formulation which reduces its tackiness while retaining a relatively high concentration. According to SGS testing results, the product not only reduces wrinkles after 28 days of consistent use, but also demonstrates visible improvement within the first 12 hours. As of September 30, 2025, the suggested retail price of this product was RMB689 at a standard size of 50g.

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Corrective skincare products—“Morning C” series

Our “Morning C” series achieves a brighter complexion and natural whitening effect by reducing melanin deposition. This series is designed to work in synergy with our “Night A” series, creating a complementary regimen. Central to this series is our intensive research into α -arbutin, a globally recognized ingredient supported by extensive clinical evidence. To overcome the inherent challenge of α -arbutin’s high water solubility, which typically hinders its permeation through the skin’s lipophilic epidermal barrier, we developed our proprietary *Speeder* permeation enhancer, which more than doubles the transdermal delivery rate of α -arbutin into the skin. Under rigorous SGS testing, each of our “Morning C” products will significantly improve skin tone and radiance following 28 days of consistent use. According to the CIC report, we rank No. 1 in terms of the retail sales value of arbutin-based skincare products in China for five consecutive years from 2020 to 2024.

α -arbutin revitalizing essence (α-熊果苷焕颜精萃水)



The α -arbutin revitalizing essence is our “Morning C” product within our flagship “Morning C Night A” product duo. The formulation features α -arbutin as its major ingredient, which revitalizes dull skin, promotes a healthy glow, and helps restore overall luminosity. In the 2.0 version, it features *BRINY92*, an advanced formulation that combines α -arbutin with ethylated vitamin C and glabridin. It further incorporates HEPES, with additional soothing ingredients, boosting its efficacy, stability and gentleness. According to the CIC report, our α -arbutin revitalizing essence ranked No. 1 in terms of sales volume among essence toner products in China for three consecutive years from 2022 to 2024. As of September 30, 2025, the suggested retail price of this product was RMB149 at a standard size of 150mL.

α -arbutin brightening micro essence cream (α-熊果苷曜白微精華霜)



The α -arbutin brightening micro essence cream is a core component of our “Morning C” series, specifically formulated for consumers experiencing skin dullness, hyperpigmentation, and uneven skin tone. This product targets the root causes of melanin production to achieve a healthy, radiant complexion through a multi-dimensional approach. This product features our upgraded brightening formulation, *TIMR94*[®], to inhibit melanin formation with improved efficiency. As of September 30, 2025, the suggested retail price of this product was RMB338 at a standard size of 50g.

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α -arbutin revitalizing essence serum (α -熊果苷臻顏恒采微精華液)



The α -arbutin revitalizing essence serum is a comprehensive product in our “Morning C” series, representing our latest skin brightening formulations. Featuring LUMI995™, our proprietary formulation that combines α -arbutin with other new ingredients, it interrupts the initial signals that can lead to melanin production, which manages key enzymes involved in the synthesis process, and supports the skin’s natural metabolism and clearance of existing pigmentation. As of September 30, 2025, the suggested retail price of this product was RMB388 at a standard size of 30mL.

Other corrective skincare products

Caffeine firming repair eye cream (咖啡因緊致修護眼霜)



The caffeine firming repair eye cream is designed to help revitalize and brighten the delicate skin around the eyes. The formula incorporates caffeine together with several classes of peptides that support collagen matrix reinforcement to reduce the appearance of puffiness, dark circles and fine lines around the eye area. We have continually upgraded this product since its launch in 2021. In the latest 3.0 version launched in 2025, this eye cream features our proprietary NMPA-filed coffee ferment filtrate and is formulated with vitamin K2 that enhances its efficacy. As of September 30, 2025, the suggested retail price of this product was RMB349 at a standard size of 15g.

Fibronectin repair moisturizing cream (纖連蛋白修護凝水霜)



The fibronectin repair moisturizing cream is designed to stimulate the regeneration of collagen and elastin, promote extracellular matrix reconstruction, and accelerate recovery of skin under dryness or irritation. The formulation incorporates our second-generation biologically synthesized recombinant fibronectin together with multiple types of recombinant collagen. As an alternative to our “Night A” series for anti-wrinkle and firming effects, this product is designed for consumers with highly sensitive skin who have little tolerance for retinol-based products. As of September 30, 2025, the suggested retail price of this product was RMB308 at a standard size of 50g.

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Preventative skincare products

Our preventative skincare products comprise a range of fundamental skincare products covering daily cleansing and protection needs. Formulated with gentle and effective ingredients, these products are suitable for various skin types and support the maintenance of healthy, balanced skin, which integrate seamlessly into customers’ everyday routines.

Panthenol moisturizing repair cream (泛醇特潤修護霜)



The panthenol moisturizing repair cream is formulated to strengthen the skin barrier while providing moisturization and soothing care. Its key active ingredients include panthenol, a clinically recognized humectant that enhances moisture retention and supports skin regeneration, and our second-generation recombinant fibronectin and coreopsis extract, combined with a complex of five types of ceramides that help rebuild and reinforce the skin’s protective barrier. A recognized university-affiliated Grade 3A hospital in Guangzhou reported that this product has clinically proven repairing and soothing effect. As of September 30, 2025, the suggested retail price of this product was RMB269 at a standard size of 50g.

Revitalizing UV protective essence milk (特護高倍臻顏防曬乳)



The revitalizing UV protective essence milk provides broad spectrum protection (i.e., SPF50+, PA++++), while preserving the skin’s natural comfort with a non-greasy layer, designed for customers concerned about suntan, redness, and photoaging. It integrates both physical and chemical UV filters, further supported by five restorative botanical extracts without alcohol or fragrance, to ensure high-efficiency protection with gentle and hypoallergenic benefits. As of September 30, 2025, the suggested retail price of this product was RMB248 at a standard size of 50mL.

Advanced gentle foaming facial cleanser (臻透安顏雲感潔面乳)



The advanced gentle foaming facial cleanser is formulated with a triple-amino-acid surfactant complex that provides a gentle yet effective cleansing experience without disrupting the skin’s natural barrier. It is enriched with a blend of three soothing plant extracts and enhanced by our advanced foaming technology, to serve as a powerful cleanser while retaining moisture. Our advanced gentle foaming facial cleanser ranked among the top five domestic cleanser products in China in terms of retail sales value in 2024 and was the only product thereamong with a suggested retail price above RMB100 at a standard size, according to the CIC report. As of September 30, 2025, the suggested retail price of this product was RMB149 at a standard size of 100g.

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RESEARCH AND DEVELOPMENT

Since establishing our HBN brand in 2019, we have been dedicated to in-depth R&D in the field of dermatological skincare. We have cultivated a systematic R&D approach that empowers our business model and fuels continuous innovations. Our commitment to R&D is evidenced by our consistent investment in our R&D talents and initiatives.

Our R&D efforts are driven by a dedicated, experienced and high caliber R&D team. As of September 30, 2025, we had assembled an R&D team of 103 personnel, accounting for approximately 12.6% of our workforce. Among such R&D members, approximately 40.8% held graduate degrees as of the same date. Many of our R&D team members graduated from renowned academic institutions such as the University of Chinese Academy of Sciences (中國科學院大學), the University of Hong Kong and Zhejiang University (浙江大學). Our R&D team has expertise spanning dermatology, medicine, cell biology and synthetic biology, enabling cross-disciplinary collaboration within our organization. Furthermore, our research team is invited to participate in prominent international academic conferences to demonstrate our scientific achievements and strengthen our presence within the global skincare research community. For instance, we presented an aggregate of six papers at the 2024 and 2025 congresses of the IFSCC, one of the highest-level academic organizations in the global cosmetics industry, demonstrating our continued innovation in formulation science, active-ingredient research, and efficacy evaluation. We were invited in three consecutive years from 2023 to 2025 by the China Dermatologists Association to present our research findings at its annual conference, with topics ranging from our holistic evidence-based validation system to the underlying mechanisms of skin aging and mitigating strategies. We also presented our findings at the 13th Asian Dermatological Congress, one of the most prestigious dermatological conferences in the Asia-Pacific region.

We are dedicated to setting the industry standards for the efficacy validation of skincare products in China. For instance, we are the first author of the Specification for Laboratory Quality Control—Cosmetic efficacy evaluation (T/CITS 0005-2024) (實驗室質量控制規範化妝品功效評價) published by the China Inspection and Testing Society (中國檢驗檢測學會). Currently, we are also co-leading the development of China’s first Guiding Principles of Evidence Weighting for Cosmetics in collaboration with the Cosmetics Technology Center of the CAQIT. We also received a number of awards and recognitions in connection with our R&D efforts and accomplishments. Some of the significant awards and recognitions we have received include Certificate of Core Drafting Organization for Group Standards (團體標準核心起草單位證書) in 2023, National High and New Technology Enterprise (國家級高新技術企業) in 2021, and Xinhua Net 2023 “Discover Outstanding Chinese Brands Program—Outstanding Case in Scientific Research and Innovation” (新華網2023“尋找寶藏國貨計劃科研創新優秀案例”) in 2023.

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Our R&D Approach

We established the HBN Skin-Inspired Research and Innovation Center (HBN肌發靈感研發中心), through which we conduct research and development in computational biology and chemistry, skin physiology, active ingredients, formulations, as well as safety and efficacy evaluation. Our in-house laboratory has obtained CNAS national-level testing accreditation. Our in-house R&D reflects our full-chain R&D workflow, including consumer insights, fundamental research, innovative ingredient, formulation and encapsulation development, and holistic evidence-based validation system. To ensure the rigor of our research and the efficacy of our products and technologies, the process from development of formulas to the commencement of production may vary from approximately one to five years, depending mainly on the complexity and novelty of the projects. We adopt a dual approach of in-house R&D and collaborations with leading academic institutions. We have established close collaborations with domestic and overseas institutions, enabling us to integrate scientific results into our product pipeline. We have implemented rigorous control over our R&D process to ensure scientific integrity, reproducibility and traceability, safeguarding the reliability of our R&D outcomes.

In-house R&D

Our in-house R&D is founded upon consumer insights and scientific insights. Building upon these insights, we pursue interdisciplinary fundamental research that includes both ingredient development and formulation optimization, developing new high-efficacy actives through plant extraction, biosynthesis, microbial fermentation, and chemical synthesis, while developing transdermal technologies and fine-tuning formulation ratios to achieve optimal efficacy. We distinct our R&D authority with a holistic evidence-based validation system designed to ensure scientific rigor, reproducibility and proven product efficacy.

Consumer insights

We adopt a consumer-centric approach by actively listening to the real needs of our consumers. For example, when we took early notice of customer feedback of skin dryness to earlier versions of our “Morning C Night A” series, our R&D staff leveraged their insights in the soothing properties of various ingredients and capsulation technology to promptly initiate R&D into coreopsis extract, recombinant fibronectin, Actcoco[®], among other ingredients and technologies.

We integrate foundational scientific research with deep consumer insights to continuously advance our ingredient discovery and formulation design capabilities. Within this process, we learn from and study large-scale data from different population groups. We are building skin-age prediction models to analyze the skin characteristics of specific demographic segments. Supported by multi-omics data and biophysical measurements, this integrated research approach enables us to shorten the traditional trial-and-error cycle and reduce development costs.

Interdisciplinary fundamental research

We adopt a systematic and forward-looking approach to project initiation and evaluation. Our core product lines are formulated with ingredients backed by years of scientific research and clinical evidence from the international scientific community, ensuring authenticity and efficacy while enabling continuous upgrade. Each R&D project begins with comprehensive assessment and strategic planning to anticipate potential development directions and identify the most promising pathways for product application. By conducting iterative evaluations at the project approval stage, we aim to minimize technical and operational obstacles in later stages and improve overall project success rates. This disciplined process allows us to prioritize research topics with broad application potential and commercial scalability.

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As of December 31, 2025, we had published more than 50 articles as first author or corresponding author in SCI-indexed journals, including *Nature* sub-journals and *Angewandte Chemie International Edition*. We ranked No. 1 in terms of the number of articles published in SCI-indexed journals as first author among domestic skincare brands, according to the CIC report. These publications collectively demonstrate the depth and diversity of our R&D capabilities across the life science, materials science, and biotechnology fields. Some of our representative publications and key findings are set out below.

- *Endothelium-specific sensing of mechanical signals drives skin aging through coordinating retinoid metabolism*. Published on *Theranostics* (IF=13.3 as of the Latest Practicable Date), this is part of our series of research articles on the fundamental mechanisms of skin aging at the molecular level. We found that the metabolism of retinol plays a crucial role in the complex interactions that drives skin aging, and replenishment of retinol slows down the process. We were invited to present these findings at the Skin Ageing & Challenges Conference in Spain in November 2025.
- *Deep red light driven hydrogen evolution by heterojunction polymer dots for diabetic wound healing*. Published in *Angewandte Chemie International Edition* (IF=17.0 as of the Latest Practicable Date), this article introduced our progress in using hydrogen to fight free radicals. We studied the encapsulations containing vitamin C, which generate hydrogen under deep red light. The hydrogen can then neutralize free radicals in the skin, bringing various benefits including better healing, reduced inflammation and reducing oxidative damage to the skin. We are continuing our research into this field of frontier research.
- *LipidIN: a comprehensive repository for flash platform-independent annotation and reverse lipidomics*. Published on *Nature Communications* (IF=15.7 as of the Latest Practicable Date), this article focuses on annotation accuracy, coverage, speed and depth of lipid, using a large library of 168.5 million lipids and advanced mathematical models. This capability allows us to efficiently study the myriad of lipids involved in skin aging. As part of our research and preparation for future products, we utilized precise skin data obtained from 3D MRI of Chinese females to study the correlation between age and structure of facial fat, which was presented at the IFSCC 34th Congress in 2024.

Ingredients

Our streamlined ingredient development process enables us to move rapidly from early discovery to product integration, ensuring that scientific advancements translate quickly into consumer-ready innovations. As of the Latest Practicable Date, we had obtained new cosmetic ingredient filing for four proprietary ingredients, which had been applied to our products, and we are in the filing process of two other proprietary ingredients. These achievements demonstrate both the efficiency of our R&D system and our capability to deliver differentiated, science-backed ingredients to the market at an accelerated pace.

Building on these active ingredients, we apply a suite of advanced encapsulation, stabilization and and gentleness improvement, and formulation technologies to ensure their stability, efficacy and optimal delivery within each product.

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Formulations

Our research and development in formulation science is dedicated to overcoming the challenges inherent to active ingredients, which vary widely in their properties, from skin tolerance to transdermal efficiency, and to duration of effect. We engineer formulations that combine materials to optimize performance by leveraging our extensive expertise in existing compounds as well as novel materials to create synergistic blends. This integrated approach allows us to deliver formulations that maximize efficacy, boost permeation, while improving gentleness.

- *Speeder permeation enhancer*. Primarily consisting of HEPES, caffeine and tocopherol (a vitamin E derivative), our *Speeder* permeation enhancer is shown to increase skin permeation of α -arbutin by over 100%.
- *LUMI995™*. Combining α -arbutin with raspberry glycoside compound, glabridin and hydrolyzed prunus domestica, LUMI995™ represents our most comprehensive brightening formulation.

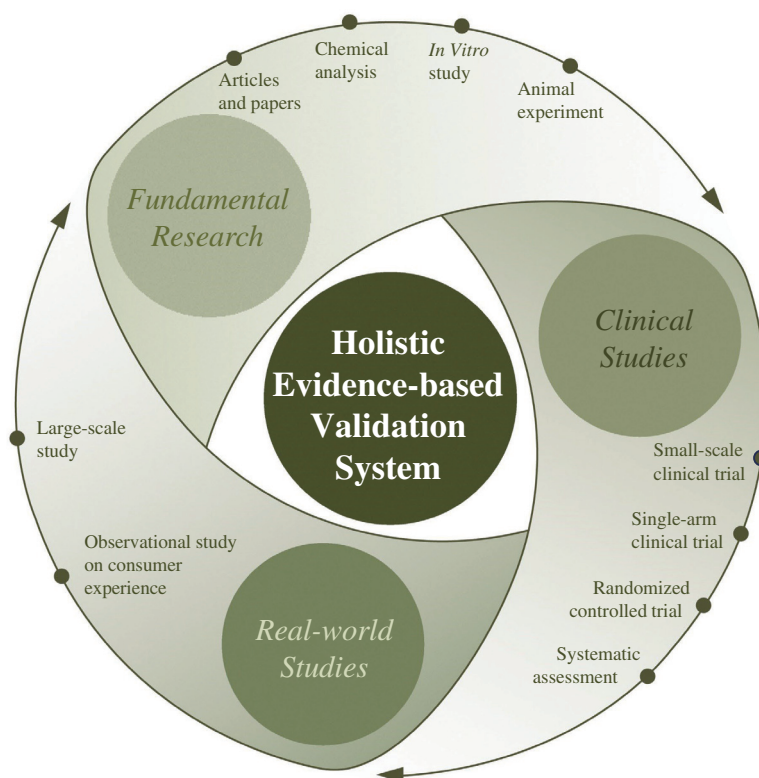
Encapsulation

Active ingredients such as retinol can easily lose their effectiveness when exposed to light, oxygen, or changes in temperature, and can also cause discomfort or irritation when applied directly to the skin. We have developed various technologies to encapsulate active ingredients to ensure their stability, permeation into deeper layers of the skin, while improving gentleness. The foundation to our lipid-based encapsulation technologies is our proprietary multi-mechanism technology. Its key methods include lipid-based encapsulation, vacuum and low-oxygen packaging and supramolecular complex formation to surround and protect the active ingredients by tiny structures. These technologies enable the use of microcapsules formed by polymers to protect active ingredients such as retinol and its derivatives, allowing them to suspend evenly in creams and lotions, and remain stable under various temperature and after exposure to air. Meanwhile, the encapsulation also releases its ingredients gradually, allowing them to work gently on the skin.

Holistic evidence-based validation system

We have established a unique holistic evidence-based validation system that spans laboratory mechanism research, *in vitro* and *in vivo* validation, human clinical testing and real-world studies. The system utilizes a systematic weight-of-evidence model to integrate and evaluate diverse evidence based on a quantitative approach, ensuring high-quality data-driven decisions on initiation of studies and launch of products. This model evaluates multi-layer factors comprehensively to provide evidentiary basis for our efficacy claims.

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Note:

- (1) The shades of color of the circles represent the importance of weight assigned to the relevant evidence in our holistic evidence-based validation system.

Once promising ingredients and formulation candidates are identified, we advance to a multi-dimensional *in vitro* validation stage designed to verify biological potency and elucidate underlying mechanisms. This stage involves controlled studies spanning molecular, cellular, tissue, and organismal levels, primarily conducted *in vitro* with selected *in vivo* follow-up, to test our scientific hypotheses. Using integrated methodologies such as cells models and 3D skin models, we systematically assess how candidate ingredients modulate key biological pathways associated with skin health and aging. This approach allows us to establish quantifiable efficacy biomarkers, optimize dosage and formulation parameters, and ensure consistent performance and safety profiles. All experiments are performed under standardized laboratory protocols followed by GLP to ensure reproducibility and data integrity, with key findings contributing to peer-reviewed SCI publications and patent applications. The evidence from such research provides a critical foundation for advancing candidate products into human clinical tests and real-world studies, and also contribute to our broad, high-quality scientific output.

Our human clinical testing then bridges experimental research with product development. We conduct a series of tests designed to confirm the practical performance, stability, and safety of ingredient combinations and formulations. We carry out small-scale human testing under controlled conditions to preliminarily assess formulation feasibility and optimize key parameters such as ingredient ratios and synergistic effects. We also collaborate closely with Grade 3A hospitals and authoritative third-party research institutions such as SGS. These institutions are responsible for conducting extensive clinical efficacy and safety studies for us in accordance with relevant regulatory and ethical standards.

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Following completion of laboratory and human clinical testing, we conduct real-world studies to further evaluate the long-term performance and consumer experience of our products under everyday conditions of use. These studies are designed to complement standard clinical tests by providing additional evidence on product efficacy and user tolerance in broader consumer populations. For example, to test the efficacy of our revitalizing UV protective essence milk, we recruited 38 participants in the Kumtag Desert of Turpan, where UV intensity is extremely high, and they engaged in three hours of outdoor activity at noon, with no noticeable redness or tanning observed. In 2022, we also launched our first hundred-person real-world human-subject efficacy study, subsequently expanded the program to thousand-person scale, and, in July 2024, further scaled it to tens of thousands, eventually with more than 14,000 volunteers participating in such 28-day study in aggregate. The findings from these studies help us refine product design, improve formulation stability, and continuously enhance customer satisfaction.

Collaborative R&D

As part of our dual approach to R&D, we place strong emphasis on collaborations with leading institutions to accelerate innovation. We have established extensive collaborative relationships with a broad network of universities, hospitals, and research institutions to strengthen our R&D capabilities and accelerate innovation. We generally maintain clear delineation of intellectual property rights to ensure that we retain exclusive ownership of the application and commercialization rights of the resulting products and technologies. These partnerships are conducted at multiple levels, ranging from project-based collaborations to the establishment of long-term joint laboratories where mutual research interests align closely. As of the Latest Practicable Date, we had established collaboration with over 30 institutions, including Xiamen University (廈門大學), Chongqing University (重慶大學), Jinan University (暨南大學), Tsinghua University Shenzhen International Graduate School (清華大學深圳國際研究生院), and Dermatology Hospital of Southern Medical University (南方醫科大學皮膚病醫院).

INTELLECTUAL PROPERTY

We believe that our intellectual property rights are critical to the preservation of our brand and R&D outcome. We have taken the following key measures to protect our intellectual property rights, including (1) establishing a set of comprehensive internal policies to implement effective management over our intellectual property rights, (2) timely registration, filing and application for the ownership of our intellectual properties, (3) closely monitoring infringement incidents of our intellectual property rights by third parties and take protective measures promptly, and (4) stipulating and emphasizing the ownership and protection of intellectual properties in our agreements with employees and business partners. Specifically, we typically retain the intellectual property rights arising from the R&D collaborations with third parties, and we implement comprehensive intellectual property provisions in our collaborations with customers and suppliers.

As of September 30, 2025, we had 130 granted patents, including 21 invention patents, 95 design patents and 14 utility model patents, as well as 104 patent applications which were pending approval. As of the same date, we had 64 work copyrights, 21 software copyrights and five domain names. See “Appendix VI—Statutory and General Information” for details.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material lawsuit or threatened action with respect to our intellectual property rights, nor had there been any material incident relating to our infringement of third parties’ intellectual property rights.

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BRANDING AND MARKETING

We have cultivated a professional, sincere, distinctive and consistent brand image since our inception. Led by our commitment to “real effective care,” we create a consumer engagement model with an emphasis on science and evidence, under which we translate complex scientific inputs, from proprietary ingredient rationales and formulation design principles to testing results, into clear and engaging consumer-facing narratives. Using “Retro Laboratory” visual signature as the foundation of our brand presentation, we design and customize our customer touchpoints to deliver premium aesthetics, ranging from our product packaging, online storefronts and offline locations.

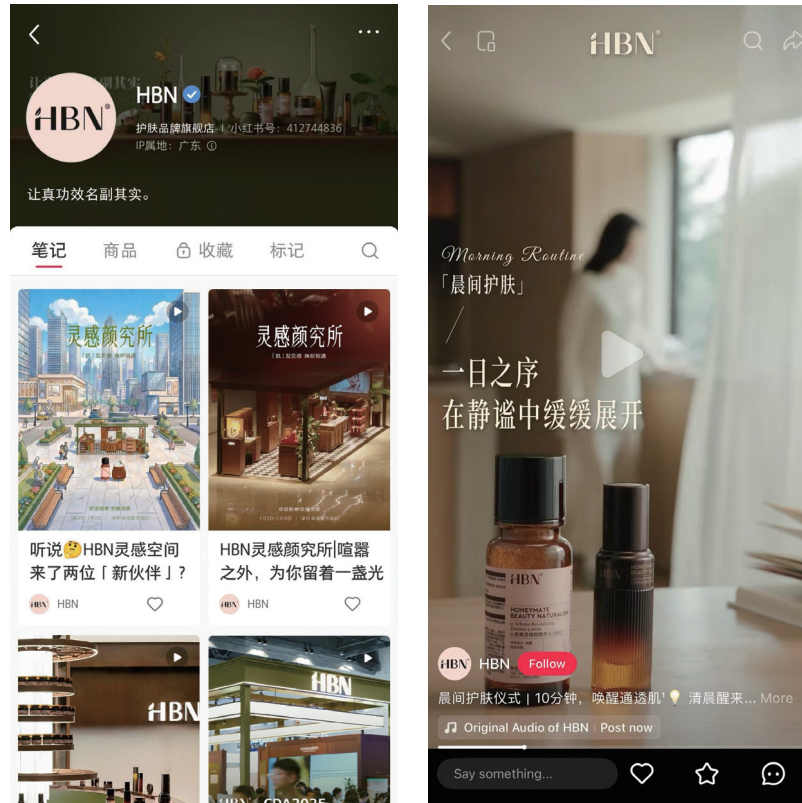
Our integrated marketing operation supports consumer conversion from awareness to purchase. We approach customers with science-led consumer education, establish trust through authoritative validation and multi-channel engagement, and stimulate consumer interests with our content and products aligned with the brand message conveyed. These initiatives are backed by our robust content creation capabilities that enable us to clearly communicate scientific narratives and effectively undertake market education initiatives on complex and technical topics. Such content capabilities encompass the systematic expression of our science-based content and brand messages through various formats, such as articles, images and videos, as well as systematic marketing campaigns.

Under our consumer engagement model with an emphasis on science and evidence, we systematically create and deliver various science-based content. Through structured collaborations with influencers, we deploy tailored contents to emphasize transparency regarding ingredient efficacy and safety, as influencer-mediated health and skincare communication can shape consumer perceptions and behavior. We also leverage cross-community and cross-disciplinary collaborations and differentiated content to expand our reach into broader consumer segments. By maintaining consistent science-led consumer engagement and standardized claim substantiation across all touchpoints, we mitigate the risks of misinformation and ensure regulatory compliance, thereby protecting our brand credibility and fostering long-term customer loyalty.

We have assembled a strong in-house branding and marketing department, which is systematically divided into specialized teams such as brand design, media resource allocation and procurement and overall marketing strategy, to concentrate and develop our expertise in each key aspect of our branding and marketing activities. Our branding and marketing teams also collaborate flexibly on specific products or projects, to enhance our efficiency and productivity and develop targeted know-how that benefits our future operations.

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Official accounts. We distribute high-quality content through our official accounts on popular social media channels such as *rednote* and *Douyin*, where we spread our findings and perspectives on skincare and actively connect with and grow our audience, reinforcing brand authority and consumer trust in the digital landscape. Our strategic content creation for official brand accounts focuses on producing engaging short videos and articles and other forms of content that showcases our product offerings, R&D initiatives and achievements, latest events and aesthetic aspirations. The following pictures illustrate our official account layout and content presentations.



Pop up stores. In August 2025, we successfully launched a pop-up store at *Taikoo Li*, a premier luxury shopping mall in the heart of Chengdu. This event drives consumer traffic to our products, which highlights our strong resonance with consumers and our ability to drive growth in top-tier retail environments. The following pictures illustrate our pop-up store at *Taikoo Li*.



BUSINESS

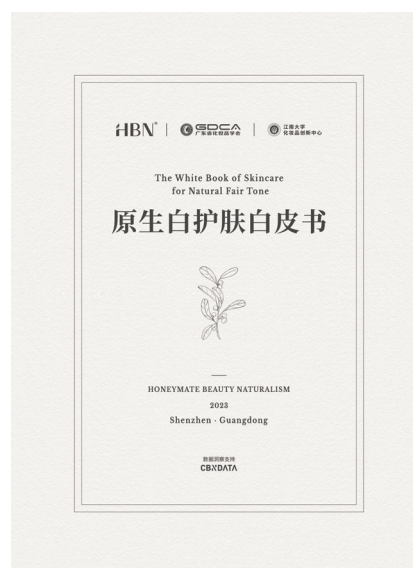
Interactive marketing. We systematically engage in science-led communications with consumers through interactive content, created via our collaborations with KOLs and KOCs on major social media platforms. This integrated approach, combined with our product efficacy, has boosted our brand visibility and reinforced our image. We have established selection criteria for qualified KOLs and KOCs, focusing on factors such as popularity, relevance and alignment with our brand values.

Membership programs. We have established tiered membership programs designed to elevate the consumer experience and strengthen brand loyalty. Members accrue points with every purchase and unlock enhanced benefits as they advance through the various tiers. Through our membership program, we deepen connections with consumers and gain valuable insights into their needs and preferences, helping to drive recurring sales through cross-selling and up-selling opportunities.

Our Branding and Marketing Initiatives

Leveraging our multi-channel marketing infrastructure, we launched several landmark initiatives that exemplify our commitment to science-led consumer engagement.

Promoting a healthy skincare philosophy. We aspire to promote a healthy philosophy for skincare, prominently embodied in our “Natural Bright” (原生白) initiative. We collaborated with the Guangdong Cosmetics Association (廣東省化妝品學會), the Cosmetic Innovation Center of Jiangnan University (江南大學化妝品創新中心) and CBNDATA to publish the White Paper of “Natural Bright” in 2023. The White Paper encourages individuals to embrace and maintain their natural and healthy skin tone. Simultaneously, we launched our new “Natural Bright” product line. This debut was followed by a campaign themed “Be Your Own Light” (不必成為誰•原生自有光), which transformed our product marketing into a compelling narrative of self-empowerment, merging clinical validation with emotional brand storytelling. In November 2025, we further extended this initiative by partnering with PANTONE® to define the natural white tone standard in oriental context, further enhancing our brand recognition.



BUSINESS

Scientific communication and documentaries. We engage our consumers through an organic fusion of transparent storytelling and clinical evidence. In 2022, we partnered with Discovery Channel to co-produce a documentary demystifying how photoaging, oxidation, and glycation accelerate skin aging. Building on this momentum, our dedication to high-quality development was spotlighted by CCTV.com in “*The Path to Truth*” (求真之路) in 2023, where we were recognized as a pioneer in the domestic retinol skincare market. Our SGS-certified desert sunscreen challenge attracted broad audience, communicating our commitment to validation through our real-world findings.



Cultivation of brand identity. In 2023, we partnered with Chinese National Geography to produce the cultural documentary “*Time Will Wait*” (時間會等人), highlighting the resilience and heritage of coffee farmers in Yunnan. This initiative not only celebrated local cultural identity but also reinforced our brand and professionalism, resonating with consumers through a shared appreciation for sustained efforts and enduring quality. On the two International Women’s Day in 2023 and 2024, through two documentaries in our series “*The Resolve to Seek Truth*” (求真的決意), we cherished the achievements of two key female figures in the Chinese space program. In 2025, we strengthened our brand recognition by initiating a cross-disciplinary dialogue featuring esteemed scholars to explore the concept of “certainty.” By aligning our philosophy of true efficacy with scholarly insights, this collaboration highlighted our core commitment to providing consumers with certainty, reflecting both the clinical reliability of our products and our transparent brand values.

Collaboration with Influencers

We collaborate with KOLs and KOCs to market and promote the sales of our products on social media and online sales channels. We choose KOLs and KOCs that can precisely deliver our brand and product messages and maintain a diverse pool of such influencers. During the Track Record Period, we did not consider ourselves to have material reliance on any influencers.

To ensure that the influencers adhere to our policies and comply with applicable laws and regulations when promoting our products, we have established measures to monitor and regulate the influencers that we collaborate with:

- **Content review.** We have a designated team to review all influencer-generated content, including texts, images and videos, before publication to ensure compliance with regulatory and policy standards. We prohibit potentially non-compliant content such as those implicating risks of false or misleading advertising, intellectual property infringement and discriminatory statements. Influencers must adhere strictly to pre-approved scripts and product selling points provided by us.
- **Public image and conduct.** We have the right to terminate the agreement without liability if the collaborating influencer is involved in any event that causes a significant social negative impact or a public relations crisis. This includes being reported or condemned by official media or government bodies for inappropriate speech or behavior.

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- **Compliance with platform rules.** Influencers are required to be fully aware of and comply with all relevant platform rules and laws.
- **Anti-fraud.** Influencers are prohibited from engaging in or facilitating fake transactions to inflate sales figures. We have the right to investigate and terminate the contract and demand a penalty if fraud is confirmed.

With respect to our collaboration with influencers, we enter into standardized agreements with the agencies to which the influencers belong, such as MCN agencies, which set forth the collaboration mode and fee arrangements. The salient terms of the agreements may include:

- **Duration.** Our agreement with the agencies will set forth the period of specific collaborations, which typically ranges from three months to one year.
- **Service scope.** For interactive marketing service, the designated influencer(s) from the agency shall conduct interactive marketing sales sessions to promote our products. The agency may also provide other forms of marketing services for us, such as the design and posting of textual, graphical and video content by relevant influencer(s).
- **Fee arrangements.** We may pay the agency a fixed service fee for each collaboration irrelevant to the amount of sales generated, such as for the posting of the specified textual, graphical and video content. We may also pay the agency a fixed service fee plus a floating service fee calculated as a percentage of the effective sales generated from the corresponding collaboration, especially for interactive marketing service.
- **Liabilities.** We may demand damages from the agencies for certain types of breaches, including consumer complaints or disputes attributable to their unauthorized marketing activities, breaches of our pricing policies and inappropriate benefits obtained from our collaborations. We are responsible for any quality issues for the products sold by us. We may terminate the agreements upon breaches of anti-bribery undertakings or other misconducts against market disciplines.

In certain circumstances, such as in interactive marketing arrangements, we may engage KOLs and KOCs to sell our products. In such arrangements, we impose pricing control and price integrity terms with such influencers. They are explicitly prohibited from unilaterally reducing product prices or offering additional discounts or gifts beyond the scope as agreed upon with us. Influencers are also prohibited from using their own subsidies or other methods to sell the products below our official channel prices. We may specify a minimum sales target that the influencer shall bring.

OUR SALES CHANNELS

We have developed efficient and scalable sales channels, which currently primarily focus on online channels that enable us to achieve massive and direct consumer coverage and rapidly expand our operations. We also strategically broaden our outreach through certain offline channels. Our online channels encompass (1) online direct sales; (2) sales to online retailers; and (3) sales to online distributors. Our offline channels primarily include (1) sales to offline retailers, such as cosmetics store chains; and (2) sales to offline distributors.

BUSINESS

The following table sets forth our revenue breakdown by sales channel for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)							
					(Unaudited)		(Unaudited)	
Online channels								
Online direct sales	1,734,761	89.1	1,809,408	86.9	1,187,679	86.5	1,271,829	84.0
Sales to online retailers	140,879	7.2	188,454	9.0	127,439	9.3	138,695	9.2
Sales to online distributors	44,210	2.3	36,541	1.8	27,327	2.0	28,352	1.9
Subtotal	1,919,850	98.6	2,034,403	97.7	1,342,445	97.8	1,438,876	95.1
Offline channels								
Sales to offline retailers	25,967	1.3	35,362	1.7	23,885	1.7	35,407	2.3
Sales to offline distributors	2,162	0.1	13,156	0.6	6,594	0.5	39,217	2.6
Subtotal	28,129	1.4	48,518	2.3	30,479	2.2	74,624	4.9
Total	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0

Online Channels

We have developed robust online sales channels that facilitate easy access to our products and enable us to achieve effective monetization. These online sales channels also create crucial touchpoints with consumers, through which we strengthen our brand image and market positioning. During the Track Record Period, our sales through online channels contributed the substantial majority of our revenue and led our revenue growth. Our revenue generated from online channels in 2023, 2024 and the nine months ended September 30, 2024 and 2025 amounted to RMB1,919.9 million, RMB2,034.4 million, RMB1,342.4 million and RMB1,438.9 million, respectively, accounting for approximately 98.6%, 97.7%, 97.8% and 95.1%, respectively, of our total revenue in the same periods.

Online direct sales

Under our online direct sales model, we sell products directly to consumers through our self-operated online stores on third-party e-commerce platforms, primarily including *Tmall*, *Douyin* and *JD.com*. Consumers place orders for our products directly from our self-operated online stores and make payments via online payment methods offered by these e-commerce platforms. Under our online direct sales model, we are responsible for the fulfillment of orders and after-sales services to consumers.

BUSINESS

The salient terms of our standard agreements with e-commerce platforms for our self-operated stores are set out below:

- ***Duration.*** The term of our agreements is typically one year.
- ***Service.*** The e-commerce platforms shall provide us with various software, technical, promotional and other services to enable us to operate our stores and facilitate our sales transactions on their platforms, while we are responsible for all other aspects of our self-operated stores, including product listing, pricing, product delivery and customer services.
- ***Fee arrangements.*** We typically pay the e-commerce platform service fees for the above-mentioned services, most of which are calculated as a percentage-based fee rate of the transaction amount.
- ***Product returns.*** We shall abide by the platform policy on product returns from consumers, which typically allows returns within seven days upon receipt.
- ***Termination.*** The agreements may be terminated by the e-commerce platform under specified conditions, including breach of contract by us. We may terminate the agreement upon public notice and a notice period.

Sales to online retailers

We have also gradually expanded our sales to certain online retailers to further leverage the broad reach and operational efficiency of online marketplaces. Under this model, we first sell our products to these online retailers, which will in turn sell these products to end customers, such that these online retailers are deemed as our customers that we transact with. Our online retail customers are primarily leading e-commerce partners, such as *JD.com*, *Tmall* and *Vipshop*. In 2023, 2024 and the nine months ended September 30, 2025, we had four, four and four online retailers, respectively.

We enter into standard agreements with online retailers, typically in the form of sales and purchase arrangements or consignment agreements. Under our sales and purchase arrangements, we have a buyer-seller relationship with online retailers and we recognize revenue when they accept our products upon delivery, while under consignment arrangements, we recognize revenue based on the acceptance of goods by end customers. In 2023, 2024 and the nine months ended September 30, 2025, we had three, three and three online retailers under consignment arrangements, respectively. During the Track Record Period, the revenue generated from online retailers under consignment arrangements amounted to RMB76.7 million, RMB78.6 million and RMB55.7 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 3.9%, 3.8% and 3.7% of our total revenue for the same period, respectively.

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The salient terms of the standard agreements with e-commerce platforms as online retailers are set out below.

- ***Duration.*** The term of our agreements is typically one year.
- ***Purchase and settlement arrangements.*** The e-commerce platforms procure goods from us by submitting purchase orders based on a negotiated supply price. We typically settle payments with major e-commerce platforms within 45 to 90 days upon receipt.
- ***Logistics and transfer of risks.*** We are responsible for the delivery of our products to the e-commerce platform’s designated warehouses. Under sales and purchase arrangements, we bear the risk of loss or damages to the products until the e-commerce platform has inspected and accepted the goods. Under consignment arrangements, we generally retain ownership of the products and bear the risk of loss until products are sold to end customers.
- ***Product returns.*** For consignment arrangements, products sold to e-commerce platforms may be returned by end customers to e-commerce platforms pursuant to applicable regulations and platform policies, and we regularly confirm and reconcile with the platforms for the products returned, such as defective goods. For products sold under sales and purchase arrangements, the relevant e-commerce platform may generally reserve the right to return.
- ***Termination.*** The agreements may be terminated by either party under specified conditions, including breach of contract or platform rules, with notice periods and certain post-termination obligations.

Sales to online distributors

Under the model of sales to online distributors, our products are sold through online distributors that operate via online platforms, such as *Taobao*, and delivered to end customers by us. We settle payments with the online distributors, which are our customers under such model. In 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from sales to online distributors model amounted to RMB44.2 million, RMB36.5 million, RMB27.3 million and RMB28.4 million, respectively, accounting for 2.3%, 1.8%, 2.0% and 1.9% of our total revenue in the same periods, respectively.

Offline Channels

We have been actively building up our offline presence and extending our offline sales coverage to further capitalize from the opportunities in the mass market, leverage the unique benefits of high-potential offline channels and diversify our revenue streams. Our offline channels primarily include (1) sales to offline retailers such as cosmetics store chains; and (2) sales to offline distributors.

BUSINESS

Sales to offline retailers

We currently partner with a number of offline retailers that we believe are constructive to our offline brand presence, which provide broader consumer accessibility and diversify our monetization methods. Our offline retail partners primarily include nationwide cosmetics store chains, such as *SANFU*, *WOW COLOUR* and *LESHAER*. In 2023, 2024 and the nine months ended September 30, 2025, we sold our products to 19, 29 and 26 offline retailers, respectively. By partnering with these trusted retail channels, we effectively expand our market reach, enhance brand visibility, and make our products accessible to customers across multiple touchpoints and locations. We have designed and implemented evaluation and selection mechanisms of our offline retailers, including store inspection results, sales performance, pricing strategies and inventory management. We enter into consignment arrangements with certain offline retailers. In 2023, 2024 and the nine months ended September 30, 2025, we had one, three and four offline retailers under consignment arrangements, respectively. During the Track Record Period, the revenue generated from offline retailers under consignment arrangements amounted to RMB0.4 million, RMB0.2 million and RMB0.2 million in 2023, 2024 and the nine months ended September 30, 2025, respectively.

The following sets forth a summary of the salient terms of our typical agreements with offline retailers:

- ***Duration.*** The term of our agreements with offline retailers is generally one to two years.
- ***Purchase and settlement arrangements.*** The offline retailers procure goods from us by submitting purchase orders based on a negotiated supply price. We typically grant a credit period of up to 90 days upon receipt.
- ***Minimum sales target.*** We generally do not specify minimum sales target or purchase amount in the agreements with our retailers.
- ***Logistics and transfer of risks.*** We are responsible for delivering the products to the retailer’s designated location. We bear the risk of loss or damages to the products until after the retailer has inspected and accepted the goods.
- ***Product returns.*** Products sold to offline retailers generally may only be returned for product quality issues.
- ***Termination.*** Arrangements can be terminated upon mutual agreement, or due to material breach by counterparties.

Sales to offline distributors

Under the model of sales to offline distributors, we sell our products to distributors which subsequently resell to department stores, cosmetic store chains and supermarkets. In 2023, 2024 and the nine months ended September 30, 2025, revenue generated from sales to offline distributors model amounted to RMB2.2 million, RMB13.2 million, RMB6.6 million and RMB39.2 million, respectively, accounting for 0.1%, 0.6%, 0.5% and 2.6% of our total revenue in the same periods, respectively.

BUSINESS

Distributorship Model

Our distributors primarily include online and offline distributors. For details, see “—Our Sales Channels—Online Channels—Sales to Online Distributors” and “—Our Sales Channels—Offline Channels—Sales to Offline Distributors.” Our relationship with distributors is categorized as seller-buyer relationships, as they buy out our products from us and then resell the products to their own customers. We recognize sales revenues from distributors when the control over our products is transferred to such distributors. We do not allow distributors to engage sub-distributors without our prior consent. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any sub-distributors of our products.

The following table sets forth the movement of our distributors during the Track Record Period.

	Year ended December 31,		Nine months ended September 30, 2025
	2023	2024	
Number of distributors at the beginning of the year/period	35	56	66
Number of new distributors ⁽¹⁾	29	28	42
Number of exiting distributors ⁽²⁾	8	18	21
Number of distributors at the end of the year/period	56	66	87

(1) The number of new distributors represents those distributors from whom we recognize revenue for the period indicated but no revenue recognized for the period preceding the period indicated.

(2) The number of exiting distributors represents those distributors from whom we did not recognize revenue for the period indicated but have revenue recognized for the period immediately preceding the period indicated.

Our historical sales through distributors were generally recurring. We did not renew our business relationship with certain distributors in 2023, 2024 and the nine months ended September 30, 2025, as we were at a relative early stage of developing our distribution channels with a focus on selecting distributors suitable for us, and we discontinued collaborations with distributors that cannot meet our standards. During the Track Record Period and up to the Latest Practicable Date, we did not experience material breach of distribution agreements that had a significant impact on our business, nor did we have any material disputes with or experience any return or exchange of products from our distributors that had a material adverse effect on our business. During the Track Record Period, the product return rate for our sales through distributors was less than 2.0%.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties. To the best of our knowledge, except for the business relationship with us pursuant to the distribution arrangements, there is no other relationship between the distributors and each of our Company, our subsidiaries, our Shareholders who own 5% or more of our total issued Shares, Directors or senior management or any of their respective associates.

BUSINESS

Major terms of distribution agreements

We typically enter into distribution agreements with our distributors. The salient terms of our standard distribution arrangements include:

- **Term.** The term of our agreements with our distributors is generally one year.
- **Distribution restriction.** The offline distributors are only allowed to sell the products within the designated distribution areas or through the designated channels within the specified areas. The online distributors are only allowed to sell the products within designated channels.
- **Pricing policy.** The distributors procure from us at the supply price as stipulated in the agreement. We also provide distributors with recommended retail price as guidance.
- **Payments.** We typically require distributors to make payment upfront upon making a purchase order.
- **Logistics.** For offline distributors, we are generally responsible for delivering our products to the distributor’s location specified. For online distributors, we are generally responsible for delivering our products to end customers.
- **Minimum sales target.** We generally do not specify minimum sales target or purchase amount in the agreements with our distributors.
- **Product return.** For offline distributors, we only accept product return from them in cases of product defects and other causes that are not attributable to them. For online distributors, we generally allow returns from end customers within seven days upon receipt.
- **Termination.** We are entitled to terminate the distribution agreement with the distributor who breaches the distribution agreement, including unauthorized distribution outside their designated distribution area and violations of our pricing policy. For some of our distributors, we collect a certain amount of security deposit. In the event of a violation of our distribution agreement, we are entitled to retain their security deposit.

Management of distributors

We have implemented selection standards and due diligence procedures before engaging distributors. We primarily consider factors including (1) the existing operating scale and capabilities of the distributors, including the brands that they have collaborated with; (2) the warehouse conditions of the distributors; (3) their tax credit profile; (4) background search results; and (5) the resources that such distributors can devote to us. We also conduct regular evaluations of our distributors.

We have implemented systematic measures to monitor and manage our distributors, including:

- **Unauthorized cross-sales.** We have adopted measures against unauthorized cross-sales activities. Before engaging distributors, we consider whether they have any track record of unauthorized cross-sales activities. We implement penalties on distributors engaging in unauthorized cross-sales, including disgorgement of deposits, revocation of distribution rights and termination of collaborations. We have also established product tracing system to monitor unauthorized sales practices.

BUSINESS

- **Channel-stuffing.** We generally require prepayment from distributors, thereby lowering the incentives for stock piling. We also require distributors to provide us with their downstream customer receipts for the delivery of our products upon reconciliation and report their sales and inventory status on a monthly basis. We impose maximum goods value for the initial shipment to our distributor, and we may adjust subsequent maximum shipment based on the collaboration status and credit profile of the distributors.
- **Cannibalization.** We do not adopt any cannibalization strategy for distributorship. We generally designate the specific channels and/or regions where our distributors may sell our products and prohibit cross-channel and/or regional sales. We may terminate our supply or even the collaborations if the distributors engage in unauthorized cross-channel and/or region sales, violate our pricing policy or engage in other unfair competition conducts against other distributors.

PRICING

We set the price of our products based on multiple factors, including market positioning of such product, competitive landscape, our procurement and production costs, consumer spending behaviors and prices of comparable brands and products. We have adopted a standard pricing policy for all our products and across different sales channels, providing distributors and retailers with pricing guidance, as well as monitoring the implementation of our pricing policies to facilitate the consistency and stability of our sales network. The suggested retail prices of our major products of standard sizes generally ranged from RMB129 to RMB689 as of September 30, 2025. For details of our pricing policies to e-commerce platforms, retailers and distributors, see “—Our Sales Channels.”

We may periodically offer discounts and participate in promotional events hosted by third-party e-commerce platforms and offline retailers. We may also offer rewards and discounts to our registered members pursuant to our membership policies.

PROCUREMENT AND PRODUCTION

Procurement

Our ability to consistently deliver high-quality products to consumers and ensure operational leverage is backboned by our procurement and supply system. We have established an efficient supply system backed by our procurement policies, with which we seek to ensure the stability, price and integrity of our raw materials. We procure most of our raw materials from reputable domestic and international suppliers. We select our raw material suppliers primarily based on their production capacity, cost, quality consistency, compliance with our technical standards, and service capability, and we regularly evaluate our raw material suppliers in terms of product qualification rate and supply stability, taking into account their proactive technical support and the occurrence of any irregularities during the supply process. We implement inspection procedures encompassing verification of packaging and quantities, review of supplier inspection indicators, execution of required acceptance tests, release or disposition of materials based on conformity, and quarterly and annual testing active components and impurities. We maintain a list of qualified supplier candidates and reserve the right to suspend or terminate cooperation with suppliers that fail to meet our internal standards, which also ensures stable supplies from alternative suppliers at comparable quality and prices in the unlikely event of supply shortage. See also “—Product Safety and Quality Control.”

BUSINESS

For certain of our proprietary ingredients, we develop customized formulations and raw materials in-house before sending them for external processing. In-house production with high quality control standard ensures that we have a stable and reliable supply of these key ingredients.

Production

We selectively partner with reliable contract manufacturers. We retain decisive authority over the products’ attributes, efficacy and aesthetic presentation in such partnership. Through such partnership with contract manufacturers, we implement specialized production and processing protocols that not only reinforce quality control but also ensure optimal operating efficiency.

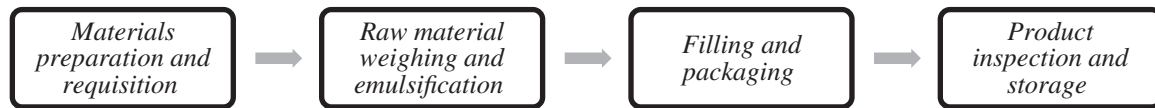
We carefully take into account a number of factors when selecting contract manufacturers, including their compliance and qualification status, price, product quality, production capacity, financial condition and reputation. In addition, we adjust production volume by certain contract manufacturers from time to time, which reduces our reliance on any single provider. See also “—Product Safety and Quality Control” for our monitoring measures of contract manufacturers.

We typically enter into framework agreements with our contract manufacturers. Below sets forth a summary of the salient terms of our standard agreements with contract manufacturers:

- ***Duration.*** The term of our agreements with contract manufacturers is typically one year.
- ***Pricing, payment and settlement.*** The quotation sheet to the framework agreement provides for the product specifications and prices, and we place subsequent purchase orders pursuant to the agreement, which will further specify the procurement amount and value. We typically settle payments with our contract manufacturers on a monthly basis. In certain cases, we may also pay an advance payment after order confirmation, with the remaining balance paid after delivery and acceptance. Our contract manufacturers typically offer us a credit period of up to 50 days.
- ***Minimum purchase.*** We generally do not specify minimum purchase in the agreements with contract manufacturers.
- ***Production and delivery.*** We designate the key raw materials that the contract manufacturers shall use to manufacture our products. The contract manufacturers shall then manufacture our products based on our specifications and deliver to our designated location according to the agreed-upon delivery schedule.
- ***Product returns.*** We may request return or exchange products to contract manufacturers for product quality issues.
- ***No reverse engineering.*** Our contract manufacturers are strictly prohibited from performing, enabling, or allowing any third party to conduct reverse engineering on our proprietary formulas or critical data.
- ***Termination.*** We reserve the right to unilaterally terminate the agreement in instances such as changes in the contract manufacturer’s production conditions or capacity and product quality issues. Both parties may terminate the agreement upon mutual agreement.

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The following diagram briefly illustrates the production process of our products.



- ***Materials preparation and requisition.*** Raw materials (including active ingredients) are prepared pursuant to production instructions on a first-in-first-out basis, and all packaging materials are subject to cleaning and sterilization prior to entering the workshop. Materials are subsequently withdrawn from the warehouse in the specified sequence and quantities and weighed accordingly.
- ***Raw material weighing and emulsification.*** The ingredients are weighed in accordance with formula specifications within the required precision range, followed by standard cleaning and sterilization of relevant equipment prior to emulsification; the material is then emulsified pursuant to the product’s prescribed manufacturing process.
- ***Filling and packaging.*** Approved semi-finished skincare products are filled into primary packaging, while functional products undergo capsule filling, bottling and capping. Given the stringent cleanliness requirements for this stage, all equipment and tools are thoroughly cleaned and sterilized in advance. A first-article inspection is conducted following initial filling, after which batch packaging proceeds under strict coding and boxing requirements.
- ***Product inspection and storage.*** Upon production completion, products enter the inspection queue where samples are taken for certificate of analysis testing. Once reports are issued and batch retention requirements are fulfilled in accordance with applicable regulations, the remaining finished goods are boxed for transport and transferred to the warehouse for storage.

We have also established an in-house specialized manufacturing facility on our sites in Shenzhen, China with an aggregate area of 5,352 square meters as of the Latest Practicable Date. We have established in-house production capabilities for certain ingredients and formulations, such as coreopsis extract and encapsulations. Our specialized manufacturing facility has two product lines for selected products, such as retinol firming night cream. Our specialized manufacturing facility was commissioned to use in late 2025, and we have been gradually ramping up its manufacturing capacity.

We have equipped our production facilities with advanced machinery sourced from reputable manufacturers and optimized our production processes using innovative technologies. As of the Latest Practicable Date, we owned all the machinery and equipment used in our in-house manufacturing. We perform routine and preventative maintenance on our manufacturing machinery and equipment to ensure that they function properly at all times and comply with the relevant laws and regulations. As of the Latest Practicable Date, we had not experienced any material or prolonged stoppage of production due to equipment failure, and we had not experienced any material accidents during our manufacturing process.

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PRODUCT SAFETY AND QUALITY CONTROL

We place product quality at the core of our operations and adhere strictly to consumer expectations and applicable compliance requirements, benchmarked against high industry standards. Our end-to-end quality control system is modularly embedded across every stage of the supply chain, ensuring consistent oversight, traceability, and risk mitigation through all operational processes. Our product lifecycle, spanning R&D, procurement, manufacturing and warehousing and logistics, is subject to rigorous testing and continuous monitoring to ensure full alignment with industry specifications and customer needs.

Our raw material controls include in-house testing of multiple key active ingredients, supported by fingerprint profiling and stability baselines. Our raw materials are subject to testing by our CNAS-accredited laboratory prior to acceptance and periodic cross-validation by third-party institutions. Our agreements with suppliers set forth explicit quality requirements with defined accountability mechanisms. Moreover, we have implemented comprehensive batch testing, full inspection of intermediates, strict process parameter controls, and immediate halt of product shipment and circulation if any quality issue is identified at the production and warehousing stage. As of September 30, 2025, our quality control team comprised 18 employees.

- ***Research and development.*** We apply stringent pre-admission testing standards for raw materials, including comprehensive identification of potential risk substances and verification tests conducted by accredited third-party institutions. Each formula undergoes iterative refinement through over a hundred trials and shall pass joint internal and external evaluations across appearance, skin-feel, efficacy and stability performance prior to approval for mass production. Packaging materials must also pass dual conformity testing by our in-house laboratory and independent third-party agencies before adoption.
- ***Procurement.*** We operate a robust supplier management system and, in view of the stringent requirements of dermatological skincare, adopt higher supplier selection standards that exceed those for conventional skincare products. We prioritize partnerships with leading global ingredient suppliers and high-quality contract manufacturers, supported by a systematic evaluation mechanism that regularly reviews key indicators such as qualified-delivery rate and process-anomaly rate to facilitate ongoing optimization of our supplier system.
- ***Manufacturing.*** We implement review standards of contract manufacturers in line with applicable national standards and cooperate exclusively with top-tier contract manufacturers, subjecting their production activities to comprehensive end-to-end quality supervision. We implement dedicated raw material monitoring standards and inspections and controls for each batch of raw materials. Our key raw materials including retinol and α -arbutin are subject to testing by our CNAS-accredited laboratory prior to acceptance and periodic cross-validation by third-party institutions. We comply with legal requirements and have undergone repeated validation to ensure batch-to-batch stability and consistency. Each product batch must pass full-scope testing covering internal content, appearance and functional performance prior to release.
- ***Multi-dimensional testing and validation.*** Beyond routine testing, we implement specialized monitoring programs for raw materials and finished goods, including monthly, quarterly and semi-annual sampling executed by third-party laboratories to assess the stability of risk substances and the retention of active functional ingredients throughout shelf life. All semi-finished and finished batches shall complete laboratory clearance prior to release, with recurring screening for methanol and heavy metals such as mercury and other harmful substances. Our in-house laboratory, accredited by CNAS, maintains data equivalency with independent testing institutions, ensuring the authority and reliability of testing outcomes.

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- ***Warehousing and logistics.*** We apply clearly defined control standards for warehousing conditions and hygiene to safeguard product integrity. Our packaging solutions are refined through empirical testing to mitigate potential damage risks during transportation, ensuring that products delivered to consumers meet required quality expectations.
- ***Quality issue handling.*** If any quality issue is identified at the production stage, the relevant batch is immediately withheld from shipment. If an issue is detected during warehousing, the affected batch is promptly sealed and removed from circulation. Our agreements with suppliers set forth explicit quality requirements and define the procedures for handling non-conforming deliveries and production anomalies, and we reserve the right to terminate cooperation with suppliers that violate such standards.

During the Track Record Period and up to the Latest Practicable Date, there was no material complaint, claim, litigation or investigation of adverse events concerning the quality and safety of our products. See “Risk Factors—Risks Relating to Our Business and Industry—Product quality is critical to our business. Any quality issues related to our products may result in a loss of customers and subject us to product liability claims, recalls or regulatory actions.”

Product Tracing

We have adopted measures to reduce the negative impact of counterfeits on our products. For instance, we entered into agreements with third-party service providers to create a unique product identification system, which provides an anti-counterfeiting code for most of our products. The system will store the records for each scanning and will automatically alert once the same code has been scanned more than twice, which will be automatically stored in our database. At the same time, our marketing personnel will conduct random checks of the circulation for each code generally on a monthly basis. While those efforts may enhance our ability to ensure the integrity of our products, brands and reputation, we may nonetheless encounter risks associated with counterfeits from time to time. See “Risk Factors—Risks Relating to Our Business and Industry—Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties, and we may not be able to prevent the existence of counterfeit products on the market.”

INVENTORY MANAGEMENT AND LOGISTICS

Inventory Management

Our inventories primarily consist of raw materials, work in progress and finished goods. We recorded inventories of RMB140.1 million, RMB177.6 million and RMB180.1 million as of December 31, 2023 and 2024 and September 30, 2025, respectively, and our inventory turnover days are 113, 105 and 130 days in 2023, 2024 and the nine months ended September 30, 2025, respectively. We generally maintain an inventory level of raw materials according to our future sales projections based on data analysis, historical sales patterns, and real-time market demands for our products and inventory status. We typically maintain safety stock for two months, while we may stock up ahead of major shopping festivals. Our integrated IT systems, including the order management systems and warehouse management systems, provide centralized, real-time inventory management across our sales channels. These systems enable us to continuously monitor stock levels, generate detailed inventory reports, and maintain optimal product availability while ensuring operational efficiency.

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During the Track Record Period, we did not experience any material shortage or obsolescence of inventory or experience any material price fluctuations of raw materials. See “Risk Factors—Risks Relating to Our Business and Industry—We are subject to potential supply shortages and increased costs of production and raw material prices, which may materially and adversely affect our business, profitability, results of operations and financial condition.”

Warehousing and Logistics

Products that pass final quality inspection are stored in our warehouses ready for shipment. As of September 30, 2025, we had seven logistics service providers. These logistics service providers provided us with warehousing and logistics services. As of September 30, 2025, we had five warehouses in Dongguan, Guangzhou, Chengdu, Kunshan and Tianjin, through which we achieve efficient order fulfillment and broad coverage.

We typically enter into one-year service agreements with logistics service providers and consider their qualifications, network coverage, IT capabilities and price in the selection process. We monitor the quality of our third-party logistics providers by conducting routine warehouse inspection, tracing, return visiting, inventory cycle counting and analyzing product return statistics.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruption in the delivery of our products or suffered any material loss due to late delivery or mishandling of products by our logistics service providers.

CUSTOMER SUPPORT AND CUSTOMER SERVICES

We have a dedicated in-house team of customer service personnel comprising 91 members as of September 30, 2025 and maintain a customer service system to ensure a timely response to our customers’ concerns. We believe a set of uniform customer service protocols helps us reinforce our high standards and reliable brand image to our consumers. Our customer service team is further subdivided into two groups, with the first team responsible for general consumer inquiries and technical skincare inquiries, and the second team responsible for after-sale services. All of our customer service team members are required to go through a series of basic training, with the skincare consultants in our first team required to undergo additional training on skincare knowledge to provide more professional advice on skincare science and product pairing. The valuable inquiries and feedback provided to our customer service team lay the foundation of our consumer insights, enabling us to capture the latest trends and demands in the skincare market.

For products sold via our online stores on third-party e-commerce platforms, we generally allow consumers to return or exchange products within seven days from receipt according to the relevant platform policies and applicable laws and regulations. We generally do not allow product returns and exchanges after the seven-day period, except for product defects or adverse skin reactions. For products sold to our distributors and retailers, the distributors and retailers are generally responsible for handling product return requests of customers. See “—Our Sales Channels.” During the Track Record Period, our overall product return rate was lower than 3.0%. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product returns or any incidents related to material product liability exposure, and we had not been subject to any product recall incidents.

During the Track Record Period and up to the Latest Practicable Date, we had not received any consumer complaints that had a material adverse effect on our business, results of operations or financial condition.

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OUR CUSTOMERS

During the Track Record Period, our customers primarily consisted of consumers and business customers, which represented online and offline retailers and distributors. During the Track Record Period, all of our top five customers were business customers. We settle with our top five customers principally via bank transfer, typically with a credit period of 45 to 90 days upon receipt for sales on credit. Revenue from our five largest customers for each year/period during the Track Record Period amounted to RMB171.0 million, RMB217.0 million and RMB161.3 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 8.8%, 10.4% and 10.7% of our total revenue for the same year/period, respectively. Revenue from our largest customer for each year/period during the Track Record Period amounted to RMB64.2 million, RMB109.9 million and RMB83.0 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 3.3%, 5.3% and 5.5% of our total revenue for the same year/period, respectively. During the Track Record Period, our relationship with our top five customers generally commenced during 2019 and 2021. To the best of our knowledge, all of our five largest customers in each year/period during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each year/period during the Track Record Period.

OUR SUPPLIERS

Our suppliers primarily comprise (1) platform service providers; (2) promotion service providers; and (3) contract manufacturers. Purchases from our five largest suppliers for each year/period during the Track Record Period amounted to RMB821.5 million, RMB890.4 million and RMB558.6 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 48.4%, 49.1% and 46.0% of our total purchases for the same year/period, respectively. Purchases from our largest supplier for each year/period during the Track Record Period amounted to RMB320.1 million, RMB296.0 million and RMB206.0 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 18.8%, 16.3% and 17.0% of our total purchases for the same year/period, respectively. We settle with our top five suppliers during the Track Record Period via bank transfer. See “Risk Factors—Risks Relating to Our Business and Industry—We are subject to risks relating to our reliance on suppliers. Any disruptions to our supply chain, deterioration of relationship with our suppliers or other negative incidents concerning our suppliers could adversely affect our business, results of operations and financial condition.”

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The following tables set forth the details of our five largest suppliers by purchase amount during the Track Record Period.

Year ended December 31, 2023

Supplier	Products/ services provided	Purchase amount (RMB in thousands)	% of our total purchase amount (%)	Year of commencement of business relationship	Payment term/credit period
Supplier A ⁽¹⁾	Promotion services, platform services	320,111	18.8	2021	Prepayment
Supplier B ⁽²⁾	Promotion services, platform services, software services	284,784	16.8	2019	Prepayment
Supplier C ⁽³⁾	Promotion services, platform services	93,342	5.5	2020	Prepayment
Supplier D ⁽⁴⁾	Contracted manufacturing services	68,980	4.1	2019	Prepayment
Supplier E ⁽⁵⁾	Contracted manufacturing services	54,262	3.2	2019	45 days
Total		821,479	48.4		

Year ended December 31, 2024

Supplier	Products/ services provided	Purchase amount (RMB in thousands)	% of our total purchase amount (%)	Year of commencement of business relationship	Payment term/credit period
Supplier A	Promotion services, platform services	296,034	16.3	2021	Prepayment
Supplier B	Promotion services, platform services, software services	272,872	15.0	2019	Prepayment
Supplier C	Promotion services, platform services	146,718	8.1	2020	Prepayment
Supplier D	Contracted manufacturing services	95,504	5.3	2019	50 days
Supplier F ⁽⁶⁾	Promotion services	79,312	4.4	2023	45 days
Total		890,440	49.1		

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Nine months ended September 30, 2025

Supplier	Products/ services provided	Purchase amount (RMB in thousands)	% of our total purchase amount (%)	Year of commencement of business relationship	Payment term/credit period
Supplier A	Promotion services, platform services	205,996	17.0	2021	Prepayment
Supplier B	Promotion services, platform services, software services	163,831	13.5	2019	Prepayment
Supplier C	Promotion services, platform services	93,309	7.7	2020	Prepayment
Supplier D	Contracted manufacturing services	51,541	4.2	2019	50 days
Supplier F	Promotion services	43,904	3.6	2023	Prepayment
Total		558,581	46.0		

- (1) Supplier A primarily engaged in technology services, R&D and consulting, and advertising services.
- (2) Supplier B primarily engaged in technology R&D, services and consulting, and advertising services.
- (3) Supplier C primarily engaged in production and distribution of documentaries and shows; advertising services; conference services; and technology services.
- (4) Supplier D primarily engaged in basic research and experimental development in natural sciences; technology services; cosmetics wholesale and retail sales; manufacturing and sales of household and personal care products.
- (5) Supplier E primarily engaged in manufacturing and sales of plastic and rubber products.
- (6) Supplier F primarily engaged in advertising services; cultural event organization; internet sales; consultancy services.

To the best of our knowledge, all of our five largest suppliers in each year/period during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our top five suppliers in each year/period during the Track Record Period.

OVERLAPPING OF MAJOR CUSTOMERS AND SUPPLIERS

Certain of our top five customers/suppliers during each year/period during the Track Record Period (“major customers/suppliers”) were also our suppliers/customers during the Track Record Period. One of our major suppliers during the Track Record Period was also our customer. We sold skincare products to such customer, which also engaged in the sales and distribution of cosmetics products through certain of its affiliates. Our revenue from such customer accounted for 0.2%, 0.2% and 0.4% of our total revenue in 2023, 2024 and the nine months ended September 30, 2025, respectively. In addition, four of our major customers during the Track Record Period were also our suppliers during the Track Record Period. We procured promotion services, platform services and/or logistics services from these customers during the Track Record Period. It is not uncommon for industry players like us to also procure such services from these customer-suppliers, as they offer such services to facilitate their sales and distribution activities (e.g., promotion, platform and logistics services in connection with e-commerce sales), according to the CIC report. The total purchases from these suppliers amounted to RMB29.9 million, RMB51.8 million and RMB46.0 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, accounting for 1.8%, 2.9% and 3.8% of our total purchases for the same year/period, respectively.

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For each of the overlapping customer-suppliers/supplier-customers, the key terms of our sales of products to such customers and our purchases of products from such suppliers are generally similar to those of our other customers/suppliers. Our Directors are of the view that these arrangements are within our ordinary course of business, under normal commercial terms and on an arm’s length basis.

EMPLOYEES

As of September 30, 2025, we had 816 full-time employees, all of whom are based in China. The following table sets forth a breakdown of our employees by function as of September 30, 2025.

Business Function	Number of employees	Percentage of total (%)
Sales and marketing	423	51.9
Administration	263	32.2
Research and development	103	12.6
Production	27	3.3
Total	816	100.0

Attracting, retaining and motivating qualified employees is crucial to our success. We utilize various recruitment channels, including professional recruitment websites, campus recruitment and referrals to attract talents. We endeavor to motivate our employees by providing competitive salaries, comprehensive welfare packages, and performance-based compensation. We believe that by recognizing their contributions with a shareholding stake in our Company, we are aligning their interests with our interests, thereby encouraging their continued commitment to our long-term success.

We offer training for all employees from entry-level to management, including induction training programs for new joiners and management skills training programs for key personnel in management positions. We also provide regular and specialized training programs tailored to the specific needs of employees in different departments.

Our employees are currently represented by a labor union. We believe that we maintain a good working relationship with our employees, and we had not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

As required by the laws and regulations in the PRC, we participate in various employee social security plans that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. We also enter into employment contracts and agreements regarding confidentiality, intellectual property, and non-competition with our employees, including our senior management and R&D personnel.

We are required by PRC social insurance and housing provident fund laws and regulations to make contributions for mandatory social insurance and housing provident funds for our employees. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations. As advised by our PRC Legal Advisor and based on the interviews conducted with the competent regulatory authorities, the likelihood that we would be subject to (1) centralized collection of historical shortfall of social insurance and housing provident fund contributions required by relevant government authorities on their initiative or (2) material administrative penalties due to our failure to provide full social insurance and housing provident fund contributions during the Track Record Period for our employees, is remote. Accordingly, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period. For details, see “Risk Factors—Risks Relating to Our Business and Industry—We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.”

BUSINESS

INSURANCE

We currently maintain product allergy insurance and return shipping insurance. We also maintain property insurance for certain manufacturing and R&D equipment. We believe that our insurance coverage is in line with industry standards and general market practice. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance plans to align with our needs and with industry practice. During the Track Record Period, we did not make any material insurance claims in relation to our business. See “Risk Factors—Risks Relating to Our Business and Industry—Our insurance coverage may be inadequate to protect us from the liabilities we may incur or cover all of our potential losses.”

PROPERTIES

As of the Latest Practicable Date, we did not own any properties. As of the Latest Practicable Date, we operated our businesses through eight leased properties in Shenzhen, China, and one leased property in Hangzhou, China, with a total gross floor area of approximately 11,658 square meters. All such properties have been used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are primarily used as office premises, R&D facilities and manufacturing facility for our business operations. Our lease agreements in respect of the abovementioned nine leased properties generally have expiration dates ranging from December 2026 to January 2034. We plan to renew our leases or negotiate new terms when the existing leases expire. All lessors are Independent Third Parties. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date.

As of the Latest Practicable Date, none of the properties leased or owned by us had a carrying amount of 15% or more of our consolidated 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.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部). The registration of such leases will require the cooperation of our lessors. As of the Latest Practicable Date, we had not obtained lease registration for nine of our leased properties in China, primarily due to the difficulty of procuring our lessors’ cooperation to register such leases. We will take all practicable and reasonable steps to ensure that such leases are registered. As advised by our PRC Legal Advisor, the lack of the abovementioned registration of the lease agreements will not affect the validity of such lease agreements, according to applicable PRC laws and regulations as of the Latest Practicable Date. According to the relevant PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

See “Risk Factors—Risks Relating to Our Business and Industry—Defects in our leasehold interests or any failure to protect our leasehold interests could adversely affect us.”

BUSINESS

LICENSES, PERMITS AND APPROVALS

We are required to obtain a number of licenses, permits, approvals and certificates for our business. Our material licenses and permits primarily include the cosmetics production license and the domestic special cosmetics registrations. As of the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all material licenses and permits required for our business operations in the PRC, and such licenses and permits had remained in full effect. The successful renewal of our existing licenses, and permits will be subject to our fulfillment of relevant requirements. Our PRC Legal Advisor has advised us that there is no material legal impediment to renewing such licenses and permits if we comply with the applicable requirements and conditions set by the PRC laws and regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We have been and may from time to time continue to be, a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings against us or any of the Directors which had caused a material and adverse effect on our business, results of operations or financial condition.

Compliance

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations, or experience any systemic non-compliance incident which, taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business, results of operations and financial condition. During the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects.

DATA SECURITY AND PRIVACY

With the prior consent of our consumers, we collect and maintain certain consumer information during the ordinary course of business, strictly to the extent necessary for the sale and delivery of our products and the provision of related services. The information collected may include consumers’ contact details, transaction records, shipping addresses, and membership points. This data supports user registration, order processing, membership management, and other functions essential to delivering our products and services. To ensure the integrity of personal data and our compliance with relevant PRC laws and regulations, we have implemented user privacy and personal information protection policies, which are updated from time to time.

We have implemented technological measures and internal control policies to safeguard the personal data of our consumers and employees. Specifically, we employed encryption and backup techniques for data storage and transmission, deployed network and server firewalls, enabled security monitoring and operational status logging functions for the procured cloud services, and provided comprehensive training to our employees on cyber security. Furthermore, we have established stringent access controls and authorization systems based on the type of data and the role and responsibilities of accessing personnel. For certain sensitive commercial and R&D information, we implemented more stringent control, such as access only from intranet, to ensure their security. These systems are designed to prevent unauthorized access and ensure compliance with domestic data protection standards. We also comply with applicable laws and regulations through the establishment of strict information protection policies and procedures covering all aspects of data collection, storage, use, and sharing.

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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 customers’ personal information.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We integrate environmental, social and governance (“ESG”) considerations into our business operations, corporate governance framework and long-term development. In conducting our business, we emphasize responsible corporate governance, effective risk management, environmental protection, product quality and safety, employee well-being and ethical business conduct. ESG considerations are embedded into our governance structure, risk management processes and day-to-day operations to support compliance with applicable laws and regulations, manage and mitigate operational and reputational risks, and promote the sustainable development of our business.

Corporate Governance

We have established a governance structure to oversee ESG matters that are aligned with our organizational structure and management processes. The Board of Directors, comprising members with diverse professional backgrounds and experience, is responsible for providing strategic direction and oversight in respect of ESG matters, including the identification and management of ESG-related risks and opportunities, and receives regular updates from management on ESG-related matters to support informed decision-making.

At the management level, our chairman of the Board, chief executive officer and general manager jointly coordinate the implementation of ESG-related initiatives. An ESG working group, comprising representatives from relevant functional departments, is responsible for supporting the implementation of ESG policies and measures. The ESG working group supports the implementation of ESG-related initiatives by facilitating coordination among relevant functions, collecting and consolidating ESG-related data, supporting risk identification and monitoring, and assisting management with ESG-related internal reporting.

ESG Material Topics Management

We integrate the identification and assessment of material ESG-related risks into our overall risk management framework. Material ESG issues are identified and prioritized through an internal assessment process based on the nature of our business, key operational activities and applicable regulatory requirements, with reference to their potential impact on our operations and risk profile. The Board reviews the prioritization of material ESG issues and provides guidance on corresponding risk management and mitigation measures to support appropriate allocation of management focus and resources.

BUSINESS

Business Ethics

We have established and implemented policies and practices relating to anti-corruption and business ethics in accordance with applicable laws and regulatory requirements. We provide periodic business ethics and anti-corruption training to employees, with particular focus on personnel in relevant roles, and extend integrity requirements to business partners and suppliers through the inclusion of integrity and anti-corruption clauses in contractual arrangements.

We have also put in place whistleblowing mechanisms to facilitate the reporting of suspected misconduct, including corruption, bribery and conflicts of interest, through multiple internal and external reporting channels, such as telephone hotlines, dedicated email addresses and online platforms, with measures in place to protect whistleblowers’ confidentiality and rights, supporting a fair and equitable business environment.

Environmental Protection

We manage our environmental responsibilities with reference to applicable laws and regulatory requirements and seek to limit the environmental impact arising from our operations. We pay ongoing attention to changes in environmental regulations and assess potential compliance implications in the context of our business activities. Throughout the Track Record Period and up to the Latest Practicable Date, our operations were conducted in compliance with applicable environmental laws and regulations in all material respects.

Based on our current scale of operations and the nature of applicable regulatory requirements, environmental compliance has not resulted in cost material to our overall operations historically and, in the absence of material changes to our operations or regulatory environment, is not expected to give rise to material compliance costs in the foreseeable future.

Climate Change

We recognize that climate change may have systemic implications for economic conditions, business operations and supply chains, and may indirectly affect our operating costs, business continuity and market adaptability. In managing climate-related matters, we have regard to relevant international frameworks and initiatives, such as the Paris Agreement and the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), as well as applicable domestic policies, including China’s carbon peaking and carbon neutrality goals, to guide our approach to climate risk management and related disclosures. Accordingly, we have integrated climate-related considerations into our governance and risk management framework to ensure that such factors are systematically identified and evaluated as part of our overall ESG management, including through periodic assessments to identify relevant climate-related risks and opportunities.

Physical risks. Physical climate-related risks, including extreme weather events and longer-term climate changes, may affect operational continuity, logistics or the availability of utilities, and lead to increased operating costs. We manage such risks through ongoing monitoring, contingency planning and measures to enhance operational resilience where appropriate.

Transition risks. Transition risks may arise from changes in climate-related regulations, policies and market expectations, which may result in higher compliance requirements or operational adjustments. We manage these risks by monitoring regulatory developments, assessing potential impacts and enhancing internal management measures to support compliance and adaptability.

BUSINESS

Climate-related opportunities. Climate change may also present opportunities, including improved energy efficiency, optimized resource use and the adoption of more sustainable operational practices, which may support cost efficiency and alignment with regulatory and market trends.

Based on our current assessment and historical experience, we have not incurred any material financial loss, operational disruption or regulatory penalty attributable to climate-related factors.

Greenhouse gas emissions. We have conducted an assessment of our greenhouse gas (“GHG”) emissions with reference to the principles of the Greenhouse Gas Protocol, covering Scope 1 and Scope 2 emissions, as well as relevant Scope 3 emission categories where applicable. Based on our current operations, our GHG emissions primarily arise from electricity consumption associated with certain production activities at our facilities. We continue to monitor our emissions profile to support the management of climate-related risks and the identification of potential efficiency improvement opportunities.

In 2025, our total GHG emissions amounted to 711.17 tCO₂e, of which 564.56 tCO₂e were attributable to Scope 2 emissions from purchased electricity. We do not generate material Scope 1 emissions, as our operations do not involve on-site fuel combustion or the operation of company-owned vehicle fleets. In addition, our Scope 3 emissions relating to Category 6 (Business Travel) amounted to 146.61 tCO₂e.

Taking into account our operational characteristics and prevailing industry practices, our overall emissions level is consistent with that of comparable companies within industry.

Emission reduction targets. We are committed to conserving energy and reducing our carbon footprint by improving operational efficiency, reducing the use of energy and other natural resources, and enhancing overall environmental performance. With reference to our current operational profile, we aim over the next three years to pursue a progressive reduction in Scope 1 and Scope 2 GHG emissions intensity, primarily through enhanced energy efficiency and energy management practices. In parallel, we seek to progressively broaden the coverage of relevant Scope 3 emission categories and enhance transparency of our emissions profile as our data management capabilities continue to develop. A range of initiatives has been implemented to support these objectives and manage emissions growth over time.

Energy and Resource Management

We promote the efficient use of energy and resources in our operations and have established and implemented internal policies and procedures relating to energy and electricity management. These measures aim to strengthen energy oversight, improve operational efficiency and reduce overall energy consumption, and are applied across production operations, facilities and office environments through routine management and inspections.

Energy management. We manage energy consumption through equipment control, daily management and routine maintenance. Operating parameters are set for key energy-consuming equipment to support efficient operation and prevent unnecessary energy use, complemented by daily monitoring and regular inspections to maintain efficiency and reduce energy losses.

Electricity management. Electricity usage in production and operational areas is managed based on actual needs, with designated personnel responsible for switching off lighting when areas are not in use. Lighting systems are subject to routine inspection and maintenance, and energy-saving control systems are operated where applicable to align usage with operational requirements. In 2025, our purchased electricity consumption amounted to 1,052,100 kWh.

BUSINESS

Green office initiatives. We promote energy-efficient practices in office environments through lighting and air-conditioning management. Energy-saving lighting practices are encouraged, while independent and central air-conditioning systems are managed through appropriate settings and operational controls based on occupancy and seasonal conditions, supported by periodic inspections and reviews.

Water resource management. We manage water resources through metering, operational controls and regular inspections. Water supply facilities and networks are maintained to prevent leakage and unnecessary water loss, and water use in production and facility operations is managed in accordance with established procedures. Periodic assessments are conducted to identify inefficiencies and support continuous improvement in water resource management.

Waste Management

We have established and implemented internal policies and procedures for the management of waste and pollutant discharges, covering air emissions, wastewater and solid waste, with the aim of ensuring compliance with applicable environmental laws and regulations and minimizing potential environmental impacts. Waste management measures are implemented across our research, production and operational activities, with daily management and monitoring.

Air emissions. We have identified air emissions arising primarily from our production and research and development activities. Relevant exhaust gases are collected and treated through ventilation, filtration and activated carbon adsorption, where applicable, to mitigate potential environmental impacts.

Wastewater. We manage wastewater through established procedures covering collection, treatment and discharge. Wastewater generated from our operations is handled through designated treatment facilities and monitored to support compliance with applicable requirements. In 2025, the wastewater discharge totaled 1,437 cubic meters.

Solid waste. We follow a waste reduction principle, with a focus on minimizing waste generation through efficient resource use, promoting recycling where practicable, and arranging compliant disposal by qualified third-party service providers for waste that cannot be recycled. In 2025, non-hazardous waste disposed of amounted to 40.30 tonnes.

In 2025, our air emissions, wastewater discharges and solid waste were managed in accordance with applicable regulatory requirements, and no material non-compliance incidents were identified.

Hazardous Waste Management

Hazardous chemicals. We manage hazardous chemicals through established procedures covering procurement, storage, handling and transportation. Hazardous chemicals are stored in designated facilities and handled by qualified personnel and service providers in accordance with applicable regulatory requirements, with safety and control measures in place to mitigate operational and environmental risks.

Hazardous waste. Hazardous waste is managed in accordance with classified management and compliant disposal principles. Such waste is segregated, properly stored and disposed of by licensed third-party service providers in compliance with applicable laws and regulations. In 2025, hazardous waste disposed of totaled 2.90 tonnes.

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Packaging Materials Management

We recognize the materials used in our product packaging and their environmental impacts across the lifecycle. To mitigate these impacts, we focus on packaging lightweighting, material substitution and structural optimization. We adopted refillable or replaceable designs for standard products, with a view to extending packaging life and reducing waste generation. We also streamline components and optimize structures to minimize material use while maintaining product protection and quality.

Social Responsibility

Social responsibility forms an integral part of our business operations. In the course of our operations, we place emphasis on protecting employee rights, supporting talent development, and maintaining a safe and healthy working environment in compliance with applicable laws and regulations. We have established relevant internal policies and management practices to support stable and compliant operations.

Employee Rights and Benefits

We place strong emphasis on protecting employees’ lawful rights and interests and have established a structured human resources management framework to support employee welfare. We adhere to the principle of equal employment and do not differentiate on the basis of gender, age or ethnicity in recruitment, promotion, remuneration or training. Our workforce comprises employees of different genders, age groups and ethnic backgrounds, reflecting a diversified employment structure. In 2025, female employees represented 70.4% of our total workforce.

In accordance with applicable laws and regulations, we provide employees with statutory social insurance and offer additional benefits, including holiday gifts, housing allowances, team-building activities and paid leave, to support employee well-being and engagement.

Employee Training

We have established an employee training system supported by an internal trainer framework and standardized training programs, covering employees at all levels. Training initiatives are designed based on employees’ career development stages and job requirements, and include induction training for new hires, management trainee programs, training for middle management and role-specific or specialized training. We aim to enhance professional skills and overall competencies of our workforce, supporting the operations and long-term development.

Occupational Health and Safety

We manage occupational health and safety through established mechanisms for the identification of workplace hazards and the management of related risks. Regular assessments are conducted across job positions to identify potential chemical, physical and biological hazards, taking into account work patterns and exposure frequency, and appropriate risk control measures are implemented where necessary.

BUSINESS

We maintain safety maintenance records for production equipment and protective facilities, conduct regular inspections and servicing, and arrange professional personnel to inspect key safety systems such as fire protection, emergency lighting and ventilation. We also ensure appropriate safety signage, access routes and alarm systems are in place, carry out periodic safety risk inspections and rectifications, and provide safety training and fire emergency drills. In addition, we equip employees with personal protective equipment that meets applicable national standards to safeguard their health and safety at work.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to health, safety, social and environmental protection, or been involved in any significant workplace accident or fatality.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have designated responsible personnel in our Company to monitor the ongoing compliance by our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of necessary measures. We have adopted internal rules and policies governing various aspects of our business operations and management, such as our sales practices, information system, legal compliance, financial reporting and human resources.

We have engaged an independent internal control consultant to review our risk management and perform reviews in selected areas of our internal controls, including, among others, financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, cash and treasury management, assets management, research and development, information technology general controls and compliance management. Having considered the report prepared by our internal control consultant, our Directors confirmed that all of the major recommendations provided by the internal control consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses. Our Directors are of the view that our enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations going forward.

We have appointed Rainbow Capital (HK) Limited as our external compliance advisor with effect from the date of the [REDACTED] to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

Risk Management

We are exposed to various risks in the ordinary course of our business operations. Key operational risks faced by us include, among others, our ability to respond to technological changes, competition in the relevant industries, our ability to retain and grow our customer base and usage, our ability to enhance or upgrade our existing products and introduce new ones, our ability to maintain and expand our sales and distribution network, and our ability to successfully expand to and develop market recognition in various industry sectors. See “Risk Factors” for disclosures on various risks we face. In addition, we also face certain market risks, such as credit risk, liquidity risk and interest rate risk related to our financials. See “Financial Information—Factors Affecting Our Results of Operations” for details. We have implemented policies and procedures for risk management in each aspect of our operations, including administration of daily operations, data security, financial reporting procedures, employee conduct and legal compliance. Our Board oversees and manages the overall risks associated with our operations. We have established an Audit Committee to review and supervise the financial reporting process and internal control system of our Group. See “Directors and Senior Management—Board Committees—Audit Committee” for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our Audit Committee.

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AWARDS AND RECOGNITIONS

During the Track Record Period, we received a number of awards and accolades in recognition of our brand and products. The following table sets out major awards and recognitions we received during the Track Record Period and up to the Latest Practicable Date.

Year	Award/Recognition	Awarding Institution/Authority
2025.	Certified Member of China Health Care Association (中國保健協會理事單位)	China Health Care Association (中國保健協會)
2025.	Vice Chairperson Unit of Guangdong Cosmetics Society (廣東省化妝品學會副理事長單位)	Guangdong Cosmetics Association (廣東省化妝品學會)
2025.	Annual Outstanding Case of Technological Innovation (環球網年度科技創新優秀案例)	Huanqiu Net (環球網)
2025.	French Good Design Award (gold winner)	French Good Design
2025.	Red Dot Design Award	Red Dot
2024.	MUSE Design Award (gold winner)	MUSE Design Awards
2024.	2024 Outstanding Case in Scientific Research and Innovation (新華網“2024寶藏國貨計劃”年度優秀案例)	Xinhua Net (新華網)
2024.	Retinol Firming Essence Lotion—2024 Elite Guangdong Cosmetics Product (2024年度粵妝甄品)	Guangdong Medical Products Administration Society (廣東省藥品監管科學學會)
2024.	Caffeine Firming Repair Eye Cream—2024 Elite Guangdong Cosmetics Product (2024年度粵妝甄品)	Guangdong Medical Products Administration Society
2024.	Guangdong Engineering Research Center for Efficacy Skincare Innovation (廣東省功效護膚創新工程技術研究中心)	Guangdong Provincial Department of Science and Technology (廣東省科學技術廳)
2023.	2023 Outstanding Case in Scientific Research and Innovation (新華網2023尋找寶藏國貨計劃科研創新優秀案例)	Xinhua Net
2023.	Certificate for Core Drafting Unit of the Group Standard (團體標準核心起草單位證書)	Guangdong Cosmetics Association
2023.	CNAS National Accreditation (CNAS國家級認證)	CNAS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. Yao and Ms. Wang, the spouse of Mr. Yao, collectively controlled 76.19% of the voting power at the general meeting of our Company, comprising (i) 35.08% beneficially owned by Mr. Yao directly, (ii) 13.60% beneficially owned by Ms. Wang, (iii) 8.00% beneficially owned by Ningbo Meize, where Ningbo Hujia acts as the general partner and Ningbo Hujia is ultimately controlled by Mr. Yao, and (iv) approximately 19.51% vested to Mr. Yao by the Proxy Shareholders through the Voting Proxy Arrangement.

Upon the [REDACTED], assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme, Mr. Yao and Ms. Wang, the spouse of Mr. Yao, collectively controlled [REDACTED]% of the voting power at the general meeting of our Company, comprising (i) [REDACTED]% beneficially owned by Mr. Yao directly, (ii) [REDACTED]% beneficially owned by Ms. Wang, (iii) [REDACTED]% beneficially owned by Ningbo Meize where Ningbo Hujia acts as the general partner and Ningbo Hujia is ultimately controlled by Mr. Yao, and (iv) approximately [REDACTED]% vested to Mr. Yao by the Proxy Shareholders through the Voting Proxy Arrangement. Therefore, Mr. Yao and Ms. Wang, together with Ningbo Meize and Ningbo Hujia, were the group of our Controlling Shareholders as of the Latest Practicable Date and will continue to be the group of our Controlling Shareholders upon the [REDACTED].

COMPETING INTERESTS

Our Controlling Shareholders have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates has any interest in a business, apart from the business of our Group, that competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED], taking into account the following factors:

Management Independence

Our business is primarily managed and conducted by our Board and senior management. Upon the [REDACTED], our Board will consist of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. For more information, see “Directors and Senior Management.” Our executive Directors and senior management are primarily responsible for overall management.

Our Directors believe that our Board and senior management are able to manage our business and function independently from our Controlling Shareholders based on the following reasons:

- (i) each of our 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;
- (ii) our daily management and operation decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interest of our Group. For details of the industry experience of our senior management, please see “Directors and Senior Management” in this document;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) we have appointed three independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence with a view to bringing independent judgment to the decision-making process of our Board;
- (iv) between our management team and the Board, and our management team reports to the executive Directors, who are responsible for reporting to the Board. The Board supervises and monitors the performance of our Company’s management team generally through receiving reports from our executive Directors, attending meetings and other ad hoc meetings of our Board to consider, deliberate and approve material matters which exceed the delegated authorities of our management team, as well as through the regular updates provided to our Directors regarding our operational and financial information;
- (v) our Company has established internal control mechanisms to manage conflict of interests, including, among others, the policies and procedures to identify connected transactions and material interests of our Directors, senior management and Shareholders to ensure that our Shareholders, Directors or senior management with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. See “—Corporate Governance Measures.”

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

Our Group is operationally independent of our Controlling Shareholders. We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. Our Group holds or enjoys the benefits of material relevant licenses and intellectual properties necessary to carry on our business. We have our own facilities, equipment and employees to operate our business independent from our Controlling Shareholders. We also have independent access to our customers and suppliers.

Financial Independence

We have an independent financial system. Our Group’s accounting and finance functions are independent of the group of our Controlling Shareholders and their close associates. Our Group makes financial decisions according to our own business needs. Our Group’s major finance operations are handled by our financial management department, which operates independently from the group of our Controlling Shareholders and their close associates. We do not share any other functions or resources with any member of the group of our Controlling Shareholders or their close associates.

During the Track Record Period, we primarily financed our business operations through cash generated from our business activities. As of the Latest Practicable Date, we did not have any outstanding borrowings or guarantees from the group of our Controlling Shareholders or any of their respective close associates.

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from the group of our Controlling Shareholders and safeguard the interest of our Shareholders, including:

- (1) where a Shareholders’ meeting is to be held for considering proposed transactions in which the group of our Controlling Shareholders or any of their close associates have a material interest, the group of our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (2) our Company has established internal control mechanism to identify connected transactions. After the [REDACTED], our Company will comply with the requirements in connection with connected transactions under the Listing Rules;
- (3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company’s expense;
- (4) we have appointed Rainbow Capital (HK) 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;
- (5) we have established the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code;
- (6) the group of our Controlling Shareholders will confirm the status of their non-competing interest on an annual basis and to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our Company; and
- (7) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the group of our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Upon the [REDACTED], our Board of Directors will consist of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for, and has general authority for, the management and operation of our Company.

Our senior management consists of five members who are responsible for the day-to-day operations of our Company. All of the Directors and senior management have met the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

BOARD OF DIRECTORS

The following table sets forth certain information regarding the Directors as of the Latest Practicable Date:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. Yao Zhenan (姚哲男)	42	Executive Director, chairman of the Board and chief executive officer	December 15, 2020	December 15, 2020	Responsible for the governance of the Board, the overall strategic planning and business management of our Group	The spouse of Ms. Wang
Ms. Wang Yang (汪洋)	42	Executive Director, general manager and president	September 28, 2014	November 26, 2025	Responsible for the business collaboration, daily operations management and human resources of our Group	The spouse of Mr. Yao
Dr. Shu Peng (舒鹏)	36	Executive Director, employee representative Director and director of product development	February 22, 2021	January 15, 2026	Responsible for product development and supervising quality control of our Group	N/A
Non-executive Director						
Mr. Wu Zeyuan (吳澤源) (also known as Mr. Wu Xinhong (吳欣鴻))	44	Non-executive Director	November 26, 2025	November 26, 2025	Responsible for providing strategic advice to our Group	N/A
Independent non-executive Directors						
Mr. Zhong Xiaoming (鍾曉明)	63	Independent non-executive Director	January 15, 2026	January 15, 2026	Responsible for providing independent advice and judgment to our Board	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Responsibilities	Relationship with other Directors and senior management
Dr. Chan Yee Wah (陳綺華)	60	Independent non-executive Director	January 15, 2026	January 15, 2026	Responsible for providing independent advice and judgment to our Board	N/A
Dr. Zhao Hao	50	Independent non-executive Director	January 15, 2026	January 15, 2026	Responsible for providing independent advice and judgment to our Board	N/A

Executive Directors

Mr. Yao Zhenan (姚哲男), aged 42, is an executive Director, the chairman of the Board and the chief executive officer of our Company. Mr. Yao joined our Group in December 2020 and has served as a Director since then. He has been redesignated as an executive Director since January 2026. He is primarily responsible for the governance of the Board, the overall strategic planning and business management of our Group.

Prior to joining our Group, from June 2009 to September 2023, Mr. Yao served as a lecturer and as an undergraduate and postgraduate supervisor in the department of digital media at Shenzhen University (深圳大學) in the PRC.

Mr. Yao obtained a bachelor’s degree in graphic design in June 2006 and further obtained a master’s degree in animation in January 2008 from the University of Central Lancashire in the United Kingdom. He obtained the Qualification Certificate for Higher Education Teachers issued by the Department of Education of Guangdong Province (廣東省教育廳) in the PRC in July 2010.

Mr. Yao has been well-recognized for his business acumen and entrepreneurship. He was awarded (i) one of the Forbes China Young Leaders in China Beauty Industry for 2023 (2023年福布斯中國美業青年領袖) and (ii) Outstanding Young Entrepreneur (Age 45 and below) in the “Marking the 45th Anniversary of the Establishment of Shenzhen Special Economic Zone, Honoring 45 Outstanding Young U45 Entrepreneurs” Event (“致敬深圳經濟特區45周年, 致敬45位U45傑出青年企業家”活動).

He also serves as the deputy secretary of the Cosmetics Subcommittee under the Beauty and Wellness Expert Committee of the Development Research Center of the SAMR (國家市場監督管理局發展研究中心美業和大健康專家委員會化妝品分委會).

Ms. Wang Yang (汪洋), aged 42, is an executive Director, the general manager and the president of our Company. Ms. Wang joined our Group as the general manager in September 2014 and served as a Director from October 2016 to December 2020. She has been reappointed as a Director since November 2025 and further redesignated as an executive Director since January 2026. She is primarily responsible for the business collaboration, daily operations management and human resources of our Group.

Prior to joining our Group, from December 2009 to March 2012, she served as a senior business manager at A8 New Media Group Limited, a digital entertainment company which was previously listed on the Stock Exchange (stock code: 00800), where she was responsible for the public relations affairs and business collaboration of the company. From April 2012 to July 2013, she worked at Shenzhen Bottle Technology Co., Ltd. (深圳瓶子科技有限公司), a company primarily engaged in the development and sales of mobile applications. From August 2013 to July 2014, Ms. Wang served as an assistant general manager at Joy Wing Mau Fruit Technologies Corporation Limited (鑫榮懋果業科技集團股份有限公司, formerly known as Joy Wing Mau Corporation Limited (鑫榮懋集團股份有限公司)), a company primarily engaged in the fruit industry, where she was responsible for the business collaboration and public relations affairs of the company.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang obtained a bachelor’s degree from Guizhou University (貴州大學) in the PRC in July 2005. She is pursuing an executive master of business administration at China Europe International Business School (中歐國際工商學院) in the PRC.

Dr. Shu Peng (舒鵬), aged 36, is an executive Director, the employee representative Director and the director of product development of our Company. Dr. Shu joined our Group and has served as the director of product development since February 2021. He was appointed as an executive Director and the employee representative Director since January 2026. He is primarily responsible for product development and supervising quality control of our Group.

Prior to joining our Group, from July 2013 to June 2015, Dr. Shu worked at Guangzhou Uniasia Cosmetic Technology Co., Ltd. (廣州環亞化妝品科技股份有限公司), a cosmetics company where he was responsible for the formulation development. From June 2015 to April 2019, Dr. Shu served as the skincare product development director of Infinitus (China) Company Ltd. (無限極(中國)有限公司), a company engaged in health foods, cosmetics, and household products, where he was responsible for the R&D of the skincare product formulation, as well as dermatological mechanism research and raw material development. From April 2019 to February 2021, Dr. Shu served as a senior R&D manager of Shanghai Gesber Daily Chemical Group Co., Ltd. (上海潔士寶日化集團有限公司), a company primarily engaged in the R&D, production, and sales of cosmetics, where he was responsible for the formulation development of skincare and cleansing products, as well as laboratory management.

Dr. Shu obtained a bachelor’s degree in biological engineering in June 2010 and further obtained a master’s degree in applied chemistry in June 2013 from Sichuan University (四川大學) in the PRC. He also obtained a doctoral degree in organic chemistry from the University of Chinese Academy of Sciences (中國科學院大學) in the PRC in June 2025.

Non-executive Director

Mr. Wu Zeyuan (吳澤源) (also known as Mr. Wu Xinhong (吳欣鴻)), aged 44, is a non-executive Director of our Company. Mr. Wu joined our Group and was appointed as a Director in November 2025. He has been redesignated as a non-executive Director in January 2026. He is primarily responsible for providing strategic advice to our Group.

Prior to joining our Group, Mr. Wu has been involved in the internet industry in the PRC since 2000. From September 2000 onwards, Mr. Wu was involved in running domain-name registration business. In 2008, he began developing and researching photo-editing software, and he has created and launched one popular product after another, from 520.com to Martian Translator (火星文輸入法), a software program for converting ordinary language into netspeak consisting of unconventional Chinese characters. He has served as an executive director and the chief executive officer at Meitu, Inc. since July 2013, a mobile internet company whose shares are listed on the Stock Exchange (stock code: 01357), and the chairman of the board of directors of Meitu, Inc. since June 2023, where he is primarily responsible for overall management.

Mr. Wu completed his undergraduate studies in business administration at Dongbei University of Finance & Economics (東北財經大學) (online course) in January 2019.

As of the Latest Practicable Date, Mr. Wu holds 12.93% of equity interests in Meitu Inc., which is the controlling shareholder of Meitu Networks, one of the pre-[REDACTED] investors of our Company. Meitu Networks holds 23.81% of the total issued share capital of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Zhong Xiaoming (鍾曉明), aged 63, is an independent non-executive Director. He joined our Group and was appointed as an independent non-executive Director in January 2026. He is primarily responsible for providing independent advice and judgment to our Board.

From July 1985 to September 2022, Mr. Zhong worked at Zhejiang Chinese Medical University (浙江中醫藥大學), where he served as a professor and a doctoral supervisor. Since September 2013, he has served as the chief scientist at the Institute of Technology Transfer of Zhejiang University (浙江大學工業技術轉化研究院), where he is responsible for the technical R&D of natural products in the field of cosmetics.

Prior to joining our Group, Mr. Zhong has served as an independent director at multiple listed companies. From January 2002 to May 2008, he served as an independent director at Jinling Pharmaceutical Co., Ltd. (金陵藥業股份有限公司), a state-owned pharmaceutical and healthcare services company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000919). From December 2015 to May 2021, Mr. Zhong served as an independent director at Mingchen Health Co., Ltd. (名臣健康用品股份有限公司), a personal healthcare products company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002919). From January 2016 to June 2022, he served as an independent director at Huadong Medicine Co., Ltd. (華東醫藥股份有限公司), a pharmaceutical manufacturer and wholesaler whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963). Since July 2025, he has served as an independent director of Beijing DR PLANT Cosmetics Co., Ltd. (北京植物醫生化妝品股份有限公司).

Mr. Zhong obtained a bachelor's degree in biochemistry from Zhejiang University (浙江大學) (formerly known as Hangzhou University (杭州大學)) in the PRC in July 1985. He was certified as a professor by the Zhejiang Provincial Department of Human Resources and Social Security (浙江省人力資源和社會保障廳) on November 17, 2006.

Dr. Chan Yee Wah (陳綺華), aged 60, was appointed as an independent non-executive Director in January 2026. She is primarily responsible for providing independent advice and judgment to our Board.

Prior to joining our Group, Dr. Chan has more than 30 years of financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is the Head of Investor Relations of CC Land Holdings Limited (中渝置地控股有限公司). Starting from July 2012, she has been an independent non-executive director of Capital Environment Holdings Limited (首創環境控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 03989). Starting from March 2022, she has also been an independent non-executive director of Xtep International Holdings Limited (特步國際控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 01368). Starting from December 2023, Dr. Chan has also served as an independent non-executive director of WebX International Holdings Company Limited (智雲國際控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 08521). Dr. Chan is an adjunct professor of The City University of Hong Kong and The Hong Kong Baptist University of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Chan graduated from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) with a bachelor’s degree in accountancy in November 1992. She then earned her master of business administration degree from the University of Nottingham in the United Kingdom in December 1993. She also obtained a doctoral degree in business administration from The Hong Kong Polytechnic University in December 2007. Dr. Chan is the founding chairlady of the Hong Kong Investor Relations Association. Dr. Chan is also a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Chartered Governance Institute.

Dr. Zhao Hao, aged 50, is an independent non-executive Director of our Company. He was appointed as an independent non-executive Director in January 2026. He is primarily responsible for providing independent advice and judgment to our Board.

Prior to joining our Group, from August 2006 to June 2021, Dr. Zhao served as an assistant professor and associate professor at the Rensselaer Polytechnic Institute in the United States, focusing on research areas such as entrepreneurial self-efficacy, the application of artificial intelligence in human resource management, and employee behaviour. He has been a professor at China Europe International Business School (中歐國際工商學院) in the PRC since July 2021.

Dr. Zhao obtained a bachelor’s degree in international economics in July 1998 and a master’s degree in labor economics from Renmin University of China (中國人民大學) in the PRC in June 2001. He further obtained a doctorate degree in business administration from the University of Illinois in the United States in May 2006.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth the key information about our senior management.

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a member of senior management	Responsibilities	Relationship with other Directors and senior management
Mr. Yao Zhenan (姚哲男)	42	Executive Director, chairman of the Board and chief executive officer	December 15, 2020	December 15, 2020	Responsible for the governance of the Board, the overall strategic planning and business management of our Group	The spouse of Ms. Wang
Ms. Wang Yang (汪洋)	42	Executive Director, general manager and president	September 28, 2014	September 28, 2014	Responsible for the business collaboration, daily operations management and human resources of our Group	The spouse of Mr. Yao

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a member of senior management	Responsibilities	Relationship with other Directors and senior management
Dr. Shu Peng (舒鹏)	36	Executive Director, employee representative Director and director of product development	February 22, 2021	February 22, 2021	Responsible for product development and supervising quality control of our Group	N/A
Mr. Huang Zhou (黄舟)	43	Vice president, financial director, Board secretary and joint company secretary	September 1, 2025	September 1, 2025	Responsible for the investment, financing, and capital markets affairs of our Group	N/A
Mr. Liu Xudong (劉旭東)	40	Senior director of channel sales	November 1, 2024	November 1, 2024	Responsible for the sales channel management of our Group	N/A

Mr. Yao Zhenan (姚哲男), see “—Board of Directors—Executive Directors” for his biographical details.

Ms. Wang Yang (汪洋), see “—Board of Directors—Executive Directors” for her biographical details.

Dr. Shu Peng (舒鹏), see “—Board of Directors—Executive Directors” for his biographical details.

Mr. Huang Zhou (黄舟), aged 43, is the vice president, financial director, Board secretary and a joint company secretary of our Company. Mr. Huang joined our Group and has served as the vice president and financial director since September 2025 and January 2026, respectively. He was appointed as a joint company secretary and Board secretary in January 2026, with effect from the date of hearing and the [REDACTED] Date, respectively. He is responsible for the investment, financing and capital markets affairs of our Group.

Prior to joining our Group, from June 2005 to October 2008 and from November 2011 to July 2013, Mr. Huang successively served as an analyst, associate and vice president at J.P. Morgan Securities (Asia Pacific) Limited, an investment bank, where he was primarily responsible for initial public offerings, mergers and acquisitions and related transactions. From October 2008 to June 2011, he served as a senior associate at MBK Partners HK Limited, a company primarily engaged in private equity, and he was primarily responsible for private equity investments and buyout transactions. From July 2013 to December 2021, he served as the head of mergers and acquisitions in Greater China at Wolters Kluwer, a provider of professional information, software solutions and services, whose shares are listed on Euronext Amsterdam (XAMS: WKL). He was primarily responsible for strategic investments and acquisitions. From February 2022 to August 2025, he served as the strategic expert at Beijing Voyager Technology Co., Ltd. (北京航跡科技有限公司) (“Beijing Voyager”), the autonomous driving division of DiDi Global, Inc., and he was seconded as the chief financial officer at Ordos KargoBot Technology Co., Ltd. (鄂爾多斯市卡爾動力科技有限公司), a robotruck technology company incubated by Beijing Voyager, from October 2023 to August 2025. Starting from December 2022, he has served as an independent non-executive director at Sichuan Medicom Software Co., Ltd. (四川美康醫藥軟件研究開發股份有限公司), a medical information services provider quoted on the NEEQ (stock code: 874537).

Mr. Huang obtained a Bachelor of Arts degree from Wesleyan University in the United States in May 2005. He obtained a master’s degree in business administration through the part-time joint MBA program of The Hong Kong University of Science and Technology in Hong Kong and Northwestern University Kellogg School of Management in the United States in July 2019.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Xudong (劉旭東), aged 40, joined our Group and has served as the senior director of channel sales since November 2024. He is responsible for the sales channel management of our Group.

Prior to joining our Group, from 2008 to 2010, Mr. Liu ran his own business in cosmetics retailing. Starting from 2010, he served as a counter manager at Estée Lauder (Shanghai) Commercial Co. (雅詩蘭黛(上海)商貿有限公司), a company primarily engaged in the retail of cosmetics and personal care products, and he was primarily responsible for sales management in the southwestern region. He later served as a sales and training supervisor at the same company starting from September 2015. From June 2016 to May 2020, he served as a national key door manager at L'Oréal (China) Co., Ltd. (歐萊雅(中國)有限公司), a company primarily engaged in cosmetics and personal care retail, and he was primarily responsible for sales and operations management for China. From May 2020 to September 2020, he served as an industry operations specialist at Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司), a company primarily engaged in business-to-consumer e-commerce, and he was primarily responsible for category management within the beauty sector. From October 2020 to February 2022, he served as a vice president of cosmetics business development at Shanghai Xunmeng Information Technology Co., Ltd. (上海尋夢信息技術有限公司), a company primarily engaged in business-to-consumer e-commerce, and he was primarily responsible for partnership development and operations in the beauty sector. From February 2022 to December 2022, he served as a sales director at Shiseido China Co., Ltd. (資生堂(中國)投資有限公司), a company primarily engaged in manufacturing and sale of cosmetics, and he was primarily responsible for integrated sales and marketing management. Starting from March 2023, he served as a leader in cosmetics industry at Shanghai Dewu Information Group Co., Ltd. (上海得物信息集團有限公司), a company primarily engaged in internet information services, and he was primarily responsible for merchant development, operations management, integrated marketing, and category promotion for the beauty sector.

Mr. Liu obtained a professional diploma from Nanyang International Film Art College in Singapore in May 2006.

Save as disclosed above and the sections headed “Relationship with our Controlling Shareholders” and “Appendix VI—Statutory and General Information—Disclosure of Interests—Interests of Our Directors and Chief Executive” in this document, each of our Directors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, senior management, substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director’s appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Huang Zhou (黃舟), see “—Senior Management” for his biographical details.

Ms. Ye Jiahong (叶嘉紅) is one of the joint company secretaries of our Company. She is an assistant manager of the listing services division at TMF Hong Kong Limited, a company providing corporate accounting and corporate secretarial services in Hong Kong. She has over seven years of experience in company secretarial profession and has been serving as the company secretary of several listed companies in Hong Kong. Ms. Ye is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Ye received a bachelor’s degree in English (business management stream) from Jinan University (暨南大學) in the PRC in June 2013 and a master’s degree in computer-aided translation from the Chinese University of Hong Kong in Hong Kong in November 2014.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Our Company has established three committees under the Board of Directors, namely the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee.

Audit Committee

We have established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Dr. Chan Yee Wah, Dr. Zhao Hao and Mr. Zhong Xiaoming, with Dr. Chan currently serving as the chairperson of the Audit Committee. Dr. Chan has the appropriate professional qualifications and experience as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure, risk management and internal control system of our Group.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Remuneration and Appraisal Committee consists of five Directors, namely Dr. Chan Yee Wah, Mr. Yao Zhenan, Ms. Wang Yang, Dr. Zhao Hao and Mr. Zhong Xiaoming, with Dr. Chan serving as the chairperson of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee is mainly responsible for evaluating the remuneration policies for Directors and senior management of our Group and making recommendations thereon to the Board of Directors.

Nomination Committee

We have established the Nomination Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of five Directors, namely Mr. Yao Zhenan, Ms. Wang Yang, Dr. Chan Yee Wah, Dr. Zhao Hao and Mr. Zhong Xiaoming, with Mr. Yao currently serving as the chairperson of the Nomination Committee. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board of Directors outstanding candidates to serve as the Directors and senior management and monitoring the procedures for evaluating the performance of the Board of Directors.

DIVERSITY POLICY OF THE BOARD OF DIRECTORS

The Board of Directors has adopted a board diversity policy (the “Board Diversity Policy”) in order to enhance the effectiveness of our Board of Directors and to maintain a high standard of corporate governance. The Board Diversity Policy sets out the criteria for selecting candidates to our Board of Directors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the merit and contribution that the selected candidates will bring to our Board of Directors.

Our Board of Directors has a balanced mix of gender, knowledge and skills, including but not limited to overall business management, finance and accounting and chemical biology. Two of our Directors are female Directors and two of our members of the Nomination Committee are also female Directors. Our Directors obtained degrees in diversified majors including business administration, economics and accounting. In addition, our Board of Directors has a wide range of ages. Our Board is of the view that our Board of Directors satisfies the Board Diversity Policy. Our Board will also ensure that appropriate balance of gender diversity is achieved with reference to investors’ expectation, and international and local recommended best practices.

DIRECTORS AND SENIOR MANAGEMENT

The Nomination Committee is responsible for reviewing the diversity of our Board. After the [REDACTED], the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

We will continue to improve the gender diversity at the Board level after the [REDACTED]. We will continue to apply the principle of appointments based on merit with reference to our diversity policy as a whole. Our Company is committed to board diversity and will maintain at least one Director of a different gender on our Board and Nomination Committee after the [REDACTED]. In addition, our Board will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. We will take into consideration of gender diversity when recruit staff at mid-to-senior level management and continue to emphasize the training of female talent and providing long-term development opportunities for our female staff. Our Board and the Nomination Committee will also conduct annual review on our gender diversity and will take into consideration of gender diversity when recommending and appointing new board members to further enhance gender diversity in our Board after the [REDACTED].

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The compensation and remuneration of the Directors and members of the senior management of our Company are determined by the Shareholders’ meetings and our Board as appropriate in the form of salaries and bonuses. Our Company also reimburses them for expenses which are necessary and reasonably incurred in providing services to our Company or discharging their duties in relation to the operations of our Company. When reviewing and determining the specific remuneration packages for our Directors and members of the senior management of our Company, the Shareholders’ meetings and our Board take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration.

Our Company offers executive Directors and senior management members, who are our employees, compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. Our independent non-executive Directors receive compensation based on their responsibilities.

The aggregate amounts of remuneration (including fees, salaries, allowances and benefits, performance related bonuses, pension scheme contributions and share-based payment expenses) paid to the Directors for the two years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, were approximately RMB56.35 million, RMB4.94 million and RMB1.87 million, respectively.

The five highest paid individuals for the two years ended December 31, 2023 and 2024 and nine months ended September 30, 2025 included one, one and one Director, respectively. And the aggregate amounts of remuneration (including salaries, allowances and benefits, performance related bonuses, pension scheme contributions and share-based payment expenses) paid to the five highest paid individuals (excluding the Directors) approximately were RMB4.27 million, RMB7.04 million and RMB4.00 million, respectively.

It is estimated that remuneration equivalent to approximately RMB7.5 million in aggregate will be paid to the Directors by our Company for the year ending December 31, 2026, based on the arrangements in force as of the date of the document.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as compensation for loss of office during the Track Record Period. Furthermore, none of the Directors waived or agreed to waive any remuneration during the Track Record Period.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Under paragraph C.2.1 of Part 2 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yao is the chairman of our Board, chief executive officer and an executive Director of our Company. He is responsible for the governance of the Board, the overall strategic planning and business management of our Group. While this will constitute a deviation from code provision C.2.1 of the Corporate Governance Code, our Board considers that vesting the roles of both chairman of the Board and chief executive officer all in Mr. Yao has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of our Group, given his over 10 years of experience in the consumer products industry and his track record and achievements as described above. The balance of power and authority is ensured by the operation of our Board, which comprises experienced and diverse individuals. Our Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Therefore, our Board possesses an independent element in its composition. Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code upon [REDACTED].

RULE 3.09D AND RULE 3.13 CONFIRMATION

Each of our Directors confirms with respect to himself or herself that (1) he or she obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 4, 2026, and (2) he or she understands his or her obligations as a director of a [REDACTED] issuer under the Listing Rules.

Each of the independent non-executive Directors confirms (1) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (2) he or 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 (3) that there are no other factors that may affect his or her independence at the time of his or her appointments.

COMPETING INTERESTS

Each of our Directors confirms that he/she or his/her respective close associates do 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, which would require disclosure under Rule 8.10 of the Listing Rules.

MANAGEMENT PRESENCE

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see “Waivers from Strict Compliance with the Listing Rules—Waiver in Relation to Presence of Management in Hong Kong.”

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

Our Company appointed Rainbow Capital (HK) Limited as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise our Company in the following circumstances.

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner that is different from that detailed in this document or where our business activities, developments or results deviate from any forecasts, estimates or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company pursuant to Rule 13.10 of the Listing Rules.

Meanwhile, pursuant to Rule 3A.24 of the Listing Rules, the compliance advisor shall inform us on a timely basis of any amendment or supplement to the Listing Rules issued by the Stock Exchange from time to time and any new or amended laws and regulations in Hong Kong applicable to our Company. The compliance advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The terms of the appointment of the compliance advisor will commence on the [REDACTED] Date and end on the date when our Company distributes the annual report of its financial results for the first full financial year commencing after the [REDACTED] Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the conversion of our Unlisted Shares to H Shares assuming no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme and the [REDACTED] are not exercised, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 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 our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest	Number of Shares as of the Latest Practicable Date		Number of Shares immediately before the [REDACTED] (assuming the Share Subdivision is completed and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme)		Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme)	
		Number of Unlisted Shares	Approximate percentage of interest in our Company	Number of Unlisted Shares	Approximate percentage of interest in our Company	Number of H Shares	Approximate percentage of interest in our Company
Mr. Yao	Beneficial owner	10,524,602	35.08%	52,623,010	35.08%	[REDACTED]	[REDACTED]%
	Interest in controlled corporations ⁽²⁾	2,399,998	8.00%	11,999,990	8.00%	[REDACTED]	[REDACTED]%
	Interest of a party to an agreement regarding interest in the Company ⁽³⁾	5,852,716	19.51%	29,263,580	19.51%	[REDACTED]	[REDACTED]%
	Interest in spouse	4,080,000	13.60%	20,400,000	13.60%	[REDACTED]	[REDACTED]%
Ms. Wang	Beneficial owner	4,080,000	13.60%	20,400,000	13.60%	[REDACTED]	[REDACTED]%
	Interest in spouse	18,777,316	62.59%	93,886,580	62.59%	[REDACTED]	[REDACTED]%
Ningbo Meize	Beneficial owner	2,399,998	8.00%	11,999,990	8.00%	[REDACTED]	[REDACTED]%
Ningbo Hujia	Interest in controlled corporations ⁽²⁾	2,399,998	8.00%	11,999,990	8.00%	[REDACTED]	[REDACTED]%
Meitu Networks	Beneficial owner	7,142,684	23.81%	35,713,420	23.81%	[REDACTED]	[REDACTED]%
Meitu, Inc.	Interest in controlled corporations ⁽⁴⁾	7,142,684	23.81%	35,713,420	23.81%	[REDACTED]	[REDACTED]%
Yingxin Investment	Beneficial owner	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Shenzhen Yingxin Decheng Asset Management Co., Ltd. (深圳市盈信德誠資產管理有限公司) (“Yingxin Decheng”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Shenzhen Yingxin Guofu Industrial Co., Ltd. (深圳市盈信國富實業有限公司) (“Yingxin Guofu”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Shenzhen Huaxin Hongye Trading Co., Ltd. (深圳市華信宏業貿易有限公司) (“Huaxin Hongye”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest	Number of Shares as of the Latest Practicable Date		Number of Shares immediately before the [REDACTED] (assuming the Share Subdivision is completed and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme)		Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme)	
		Number of Unlisted Shares	Approximate percentage of interest in our Company	Number of Unlisted Shares	Approximate percentage of interest in our Company	Number of H Shares	Approximate percentage of interest in our Company
Shenzhen Yunshenghong Management Enterprise (Limited Partnership) (深圳市雲晟弘管理企業(有限合伙)) (“Yunshenghong”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Shenzhen Muwei Management Co., Ltd. (深圳市慕唯管理有限公司) (“Muwei Management”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Sun Zaihua (孫再花)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Shenzhen Chief Steward Information Technology Co., Ltd. (深圳市大管家信息技術有限公司) (“Chief Steward”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Xu Yunxia (許雲霞)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Shenzhen Ganhu Trading Co., Ltd. (深圳市淦湖貿易有限公司) (“Ganhu Trading”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Shenzhen Mingrun Fengtai Investment Partnership (Limited Partnership) (深圳明潤豐泰投資合夥企業(有限合伙)) (“Mingrun Fengtai”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Guotai Xinda Investment Holdings (Shenzhen) Co., Ltd. (國泰信達投資控股(深圳)有限公司) (“Guotai Xinda”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Ma Yuanping (馬苑萍) . . .	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Ma Haojia (馬浩家)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Wang Jinmei (王金梅) . . .	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Huang Shunda (黃順大) . .	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest	Number of Shares as of the Latest Practicable Date		Number of Shares immediately before the [REDACTED] (assuming the Share Subdivision is completed and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme)		Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme)	
		Number of Unlisted Shares	Approximate percentage of interest in our Company	Number of Unlisted Shares	Approximate percentage of interest in our Company	Number of H Shares	Approximate percentage of interest in our Company
Zhao Chuan (趙川)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Shenzhen Xinhengya Trading Co., Ltd. (深圳市新恆亞貿易有限公司) (“Xinhengya”)	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Chen Shaoping (陳少平) . .	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Lai Shaoying (賴少英) . . .	Interest in controlled corporations ⁽⁵⁾	2,279,095	7.60%	11,395,475	7.60%	[REDACTED]	[REDACTED]%
Mr. Peng Shengwen	Beneficial owner	2,127,155	7.09%	10,635,775	7.09%	[REDACTED]	[REDACTED]%

Notes:

- (1) All interests are long positions.
- (2) As at the Latest Practicable Date, Ningbo Hujia acts as the general partner of Ningbo Meize and Ningbo Hujia is ultimately controlled by Mr. Yao. As such, each of Mr. Yao and Ningbo Hujia is deemed to be interested in the Shares held by Ningbo Meize.
- (3) Pursuant to the Voting Proxy Arrangement, Mr. Yao is able to control the voting rights attached to an aggregate of 29,263,580 Shares (after the share subdivision) held by Yingxin Investment, Mr. Peng Shengwen and Ms. Dai Lu at the general meeting of our Company. See “History, Development and Corporate Structure” for details of the voting arrangements. As such, Mr. Yao is deemed to be interested in the Shares held by Yingxin Investment, Mr. Peng Shengwen and Ms. Dai Lu.
- (4) As at the Latest Practicable Date, Meitu Networks is a subsidiary of Meitu, Inc., a public company listed on the Stock Exchange (stock code: 01357). As such, Meitu, Inc. is deemed to be interested in the Shares held by Meitu Networks.
- (5) As at the Latest Practicable Date, the general partner of Yingxin Investment is Yingxin Decheng, which is ultimately controlled by Yingxin Guofu and Yingxin Guofu is ultimately controlled by Huaxin Hongye. Huaxin Hongye is owned as to 70% by Yunshenghong. The general partner of Yunshenghong is Muwei Management, which is ultimately controlled by Sun Zaihua. Chief Steward holds 99% limited partnership interests in Yunshenghong, which is ultimately controlled by Xu Yunxia. Ganhu Trading holds 92.5% limited partnership interests in Yingxin Investment, which is owned as to 50% and 50% by Mingrun Fengtai and Lai Shaoying, respectively. The general partner of Mingrun Fengtai is Guotai Xinda, which is ultimately controlled by Ma Yuanping, Ma Haojia, Wang Jinmei, Huang Shunda and Zhao Chuan. Xinhengya holds 99% limited partnership interests in Mingrun Fengtai, which is wholly owned by Chen Shaoping. As such, Yingxin Decheng, Yingxin Guofu, Huaxin Hongye, Muwei Management, Sun Zaihua, Chief Steward, Yunshenghong, Xu Yunxia, Ganhu Trading, Mingrun Fengtai, Guotai Xinda, Lai Shaoying, Ma Yuanping, Wang Jinmei, Huang Shunda, Zhao Chuan and Chen Shaoping are deemed to be interested in the Shares held by Yingxin Investment.

Save as disclosed above and in “Appendix VI—Statutory and General Information—Disclosure of Interests” to this document, our Directors are not aware of any persons who will, immediately following completion of the Share Subdivision, the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 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 our Company or any member of our Group.

SHARE CAPITAL

This section presents certain information regarding our share capital prior to and upon the completion of the [REDACTED].

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was RMB30,000,000 comprising 30,000,000 Unlisted Shares with a nominal value of RMB1.00 each. Immediately prior to the [REDACTED], the ordinary shares of our Company will be split on a one for five basis, and the aforementioned registered share capital of our Company of RMB30,000,000 will be divided into [REDACTED] Shares of par value RMB0.20 each.

UPON COMPLETION OF THE [REDACTED]

Immediately upon completion of the Share Subdivision, the [REDACTED] and Conversion of Unlisted Shares into H Shares, assuming the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total share capital
H Shares to be converted from Unlisted Shares	[REDACTED]	[REDACTED]%
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	100%

Immediately upon completion of the Share Subdivision, the [REDACTED] and Conversion of Unlisted Shares into H Shares, assuming the [REDACTED] is fully exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total share capital
H Shares to be converted from Unlisted Shares	[REDACTED]	[REDACTED]%
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	100%

The above tables assume that the [REDACTED] has become unconditional and the H Shares are issued pursuant to the [REDACTED].

SHARE CAPITAL

OUR SHARES

Upon the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, the Shares will consist of H Shares only. H shares are ordinary share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (Shenzhen-Hong Kong Stock Connect) and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be [REDACTED] for by, or [REDACTED] between, legal or natural persons of the PRC.

All H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

All our Unlisted Shares are not [REDACTED] or [REDACTED] on any stock exchange. The holders of our Unlisted Shares may, at their own option, authorize us to apply to the CSRC for conversion of their respective Unlisted Shares into H Shares. After the conversion of Unlisted Shares, such converted Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange, provided that such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and the filing procedure with the CSRC shall have been completed. The listing of such converted Shares on the Stock Exchange will also require the approval of the Stock Exchange. In addition, such conversion, [REDACTED] and [REDACTED] shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. Based on the procedures for the conversion of our Unlisted Shares into H Shares as disclosed in this section, we can apply for the [REDACTED] of all or any portion of our Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the [REDACTED]. As any [REDACTED] of additional Shares after our initial [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for [REDACTED] at the time of our initial [REDACTED] in Hong Kong.

No voting of class shareholder is required for the [REDACTED] and [REDACTED] of the converted Shares on the Stock Exchange. Any application for [REDACTED] of the converted Shares on the Stock Exchange after our initial [REDACTED] is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion. After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our [REDACTED] maintained in Hong Kong and instruct the [REDACTED] to issue H Share certificates. Registration on our [REDACTED] will be conditional on (a) our [REDACTED] lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the [REDACTED] of members and the due dispatch of H Share certificates; and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of [REDACTED] and the [REDACTED] Operational Procedures in force from time to time. Until the converted shares are re-registered on our [REDACTED], such Shares would not be [REDACTED] as H Shares.

SHARE CAPITAL

TRANSFER OF SHARES ISSUED PRIOR TO [REDACTED] DATE

According to the Company Law, the Shares issued by the Company prior to the [REDACTED] are restricted from [REDACTED] within one year from the [REDACTED] Date.

Our Directors and members of the senior management (as defined in our Articles of Association) of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors and such members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are [REDACTED] and [REDACTED], nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions or conditions on the transfer of the Shares held by our Directors, members of senior management of our Company and other Shareholders. For further details, see “Summary of the Articles of Association” in Appendix V to this document.

The Company will work with the domestic securities company to be engaged by the Company to restrict the [REDACTED] of the H Shares converted from Unlisted Shares technically within one year after the [REDACTED].

REGISTRATION OF SHARES NOT [REDACTED] ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-Share Listed Companies (H股公司境內未上市股份申請“全流通”業務指引) announced by the CSRC, the domestic shareholders of our Shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the China Securities Depository and Clearing Corporation Limited of such shares involved in the application is completed.

SHAREHOLDERS’ APPROVAL FOR THE [REDACTED]

For details of circumstances under which our Shareholders’ general meeting is required, see section headed “Appendix V—Summary of the Articles of Association” of this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with the historical financial information as of and for each of the years ended December 31, 2023 and 2024 and for the nine months ended September 30, 2025, and the notes thereto included in the Accountants’ Report which have been prepared in accordance with the IFRS Accounting Standards and the selected financial information and operating data included elsewhere in this document.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in “Forward-looking Statements” and “Risk Factors.” In evaluating our business, you should carefully consider the information provided in “Risk Factors.”

OVERVIEW

We are a leading dermatological skincare brand in China, with a prominent position in the corrective skincare market. We established our HBN brand in 2019 with a commitment to “real effective care.” According to the CIC report, we ranked No. 4 among domestic dermatological skincare brands in terms of the retail sales value of skincare products in 2024, and No. 1 in terms of the retail sales value of corrective skincare products in 2024. Our product portfolio spans both corrective and preventative skincare. As of September 30, 2025, we had 36 SPUs under the HBN brand, through which we provide skincare products tailored to different skin types and suitable for all-day, multi-scenario use.

We achieved strong financial performance and enhanced profitability during the Track Record Period. Our total revenue increased by 6.9% from RMB1,948.0 million in 2023 to RMB2,082.9 million in 2024, and by 10.2% from RMB1,372.9 million for the nine months ended September 30, 2024 to RMB1,513.5 million for the nine months ended September 30, 2025. Our net profit increased by 232.5% from RMB38.8 million in 2023 to RMB129.1 million in 2024, with net profit margins of 1.9% and 6.2% for the same year, respectively, and our net profit increased by 190.3% from RMB49.8 million for the nine months ended September 30, 2024 to RMB144.5 million for the nine months ended September 30, 2025. Our adjusted net profit (non-IFRS measure) for 2023, 2024 and the nine months ended September 30, 2025 was RMB92.3 million, RMB129.4 million and RMB145.3 million, respectively, representing adjusted net profit margin (non-IFRS measure) of 4.7%, 6.2% and 9.6% for the same periods, respectively.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with IFRS Accounting Standards. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period and in the period covered by the interim comparative financial information. The historical financial information has been prepared under the historical cost convention, except for financial assets at FVTPL which have been measured at fair value at the end of each reporting period. The new and amended accounting standards and interpretations issued but not yet effective are set out in Note 2.1 to the Accountants’ Report.

For shares issued to certain Pre-[REDACTED] Investors, pursuant to the supplemental agreement entered into between our Company and such Pre-[REDACTED] Investors in relation to the termination of certain of special rights granted by our Company, including redemption rights and liquidation preferences, and anti-dilution rights, which are *void ab initio* as described in Note 27 to the Accountants’ Report. Having taking into account the legal and regulatory framework of our jurisdiction and the governing law of the supplementary agreements, our Directors considered that it is appropriate to present the Pre-[REDACTED] Investment as equity throughout the Track Record Period. For details, see Note 27 to the Accountants’ Report.

FINANCIAL INFORMATION

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

General Factors

As we currently operate in China’s skincare market, which is a subset of the cosmetics market, our results of operations are fundamentally affected by general factors that influence the development of China’s skincare industry, which similarly affects our industry peers. These factors include, among others: overall macroeconomic conditions and future outlook, levels of individual disposable income, competitive dynamics within the skincare industry, consumer spending patterns and preferences relating to skincare products, and the applicable legal and regulatory frameworks, policies and initiatives governing the skincare sector.

Specifically, we have been and expect to continue to be affected by the factors that influence the development of the corrective skincare segment from the demand and supply side. From the demand side, consumers’ attention to corrective efficacies such as anti-wrinkle, firming, brightening and whitening is continuously increasing, and their focus on product ingredient efficacy and validation evidence is steadily rising. From the supply side, the continuous improvement of active ingredient research and development capabilities, formulation technology and efficacy validation systems has led to ongoing enhancements in the effectiveness, and verifiability of corrective skincare products to better meet consumers’ demand for targeted skincare products. China’s corrective skincare market in terms of retail sales value has expanded from RMB122.2 billion in 2019 to RMB233.8 billion in 2024 at a CAGR of 13.9%, and is expected to reach RMB443.8 billion in 2029 at a CAGR of 13.7% from 2024 to 2029, according to the CIC report.

Company-specific Factors

In addition to the general factors, our results of operations are affected by a number of key factors specific to us, which are set forth below.

Ability to enhance our products and enrich our product portfolio

Our business and financial performance is underpinned by the attractiveness and competitiveness of our product portfolio. We are the youngest among the top 10 domestic skincare brands in China in terms of the retail sales value of skincare products in 2024, and we are also the largest domestic dermatological brand in terms of the retail sales value of corrective skincare products in China in 2024, according to the CIC report. We offer a broad range of corrective and preventative skincare products under our HBN brand. Our products come in various skincare routines including, among others, essences and serums, lotions, creams, cleansers and sunscreens. As of September 30, 2025, we had 36 SPUs and we sold all of our products under the HBN brand. According to the CIC report, several of our products have attained market leadership. For instance, our retinol-based skincare products ranked No. 1 in terms of sales volume in China for the three consecutive years from 2022 to 2024. We also continued to rank No. 1 in terms of the sales volume and retail sales value of arbutin-based skincare products in China for five consecutive years from 2020 to 2024, according to the CIC report. For details, see “Business—Our Products.”

Going forward, we expect that our sales performance and revenue will continue to be driven by the attractiveness and competitiveness of our product portfolio. With respect to our existing products, especially our signature products, we expect to optimize our operations regarding these products and introduce effective upgrades when appropriate, so that they remain the bedrock of our performance. In addition, we expect that our ability to develop and launch new products, in particular new signature products, will continue to be an important factor that distinct us from our competitors, solidify our market position and contribute to our growth.

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As a dermatological skincare brand and in light of our product nature, our ability to enhance our products and enrich our product portfolio depends in part on the outcome of our R&D initiatives, including our research into new ingredients, formulations and other technologies, as well as the results of our fundamental research in the long run. Guided by consumer insights, we have cultivated a scalable R&D system centered on interdisciplinary fundamental research, proprietary ingredients and formulations, innovative product design, and a holistic evidence-based validation system. This cycle enables us to systematically achieve continuous product launches and upgrades. For details, see “Business—Research and Development.” We have made significant investments into our R&D initiatives since our inception to support the establishment of such R&D foundation. Going forward, we expect to reinforce our core competence and foundation in science and technology with additional investments into R&D, which will in turn contribute to the attractiveness and competitiveness of our product portfolio.

Ability to efficiently operate our sales network

Our ability to efficiently operate our sales network is fundamental to our sales performance and results of operations, and our ability to expand and optimize our sales network is crucial to our market outreach and penetration. We have developed efficient and scalable sales channels, which currently primarily focus on online channels that enable us to achieve massive and direct consumer coverage and rapidly expand our operations. We also strategically broaden our outreach through certain offline channels to leverage the resources and benefits of each specific offline channel. Our online channels encompass (1) online direct sales; (2) sales to online retailers; and (3) sales to online distributors. Our offline channels primarily include (1) sales to offline retailers, such as cosmetics store chains; and (2) sales to offline distributors. For details, see “Business—Our Sales Channels.”

During the Track Record Period, our sales through online channels contributed the substantial majority of our revenue and led our revenue growth. Our rapid growth is in part attributable to our effective online sales operations to date. These online sales channels facilitate easy access to our products and enable us to achieve effective monetization. They also create crucial touchpoints with consumers, through which we strengthen our brand image and market positioning. Our revenue generated from online channels in 2023, 2024 and the nine months ended September 30, 2024 and 2025 amounted to RMB1,919.9 million, RMB2,034.4 million, RMB1,342.4 million and RMB1,438.9 million, respectively, accounting for approximately 98.6%, 97.7%, 97.8% and 95.1%, respectively, of our total revenue in the same periods, respectively. Furthermore, we leverage our self-operated online stores on major third-party e-commerce platforms, including *Tmall*, *Douyin* and *JD.com*, as our principal sales channels. Our revenue generated from online direct sales in 2023, 2024 and the nine months ended September 30, 2024 and 2025 amounted to RMB1,734.8 million, RMB1,809.4 million, RMB1,187.7 million and RMB1,271.8 million, respectively, accounting for approximately 89.1%, 86.9%, 86.5% and 84.0%, respectively, of our total revenue in the same periods. These self-operated online stores enable us to directly reach our consumers and organize our online sales efforts in a systematic and effective manner. Going forward, we expect to continue to develop effective online sales strategies and enhance our management of online sales channels.

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Our offline presence has been modest to date. We expect to selectively broaden our offline sales channels that we consider strategically beneficial to us, to integrate our online and offline channels and diversify our market presence and consumer touchpoints, providing broader consumer accessibility and expand our monetization methods.

Ability to conduct effective branding and marketing activities

The effectiveness of our branding and marketing activities is critical to our appeal to consumers and sales performance. We have adopted a comprehensive and innovative branding and marketing strategy to promote our products, enhance our brand awareness and reputation, and attract and retain consumers, with a focus on online marketing activities. Our online marketing activities span major e-commerce and social media platforms, including a wide array of market education with scientific narratives and themed marketing campaigns, and encompass diverse formats including texts, pictures, short videos and interactive marketing sessions that capture consumer traffic. For details, see “Business—Branding and Marketing.”

The efficiency of our branding and marketing activities is instrumental to our profitability and result of operations. During the Track Record Period, we benefited from enhanced brand recognition and popularity of our products, as well as greater economies of scale, which enabled us to undertake cost-effective branding and marketing activities while maintaining growth momentum. Specifically, in 2023, 2024 and the nine months ended September 30, 2024 and 2025, our selling and distribution expenses were RMB1,267.5 million, RMB1,238.3 million, RMB848.2 million and RMB871.3 million, respectively, accounting for 65.1% and 59.4%, 61.8% and 57.6% of our total revenue in the same periods, respectively. With respect to our investments into marketing activities, our promotion expenses amounted to RMB1,114.2 million, RMB1,048.9 million, RMB720.5 million and RMB720.0 million, respectively, accounting for 57.2% and 50.4%, 52.5% and 47.6% of our total revenue in the same periods, respectively. We experienced increased efficiency with our online sales and marketing activities, as we proactively improved our centralized management of these channels and enhanced our ability to integrate and organize the resources allocated to different channels. While we will endeavor to prudently manage our investment in marketing, advertising and other promotional activities, the absolute amounts of our selling and distribution expenses could run up in the future as we further expand our business operations and introduce new products. Meanwhile, we expect to benefit from further enhanced brand awareness and market acceptance of our products and greater economies of scale to optimize the return on our investments into marketing activities.

Ability to manage a robust supply chain

Our supply chain management is critical to our ability to commercialize our R&D outcomes and constantly deliver high quality products with desired functions and features that meet consumer demands and improve user experience, which eventually translates into our sales performance. It is also fundamental to our cost structure, profitability and results of operations. We have cultivated a robust and stable supply chain underpinning our product excellence and constant innovations. Our ability to maintain virtuous relationship with these suppliers and ensure a standardized and resilient supply chain is crucial to our business success. For details, see “Business—Procurement and Production—Procurement” and “Business—Our Suppliers.”

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Specifically, our ability to manage cost of sales effectively and improve operational efficiency is essential to our profitability. Our cost of sales amounted to RMB455.0 million, RMB553.2 million, RMB366.2 million and RMB374.4 million in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively, accounting for 23.4%, 26.6%, 26.7% and 24.7% of our total revenue for the same period. Our cost of sales currently primarily consists of (1) cost of inventories sold, primarily comprising the cost of raw materials and contract manufacturing costs; and (2) logistics and delivery costs. Overall, we have benefited and expect to continue to benefit from increasing economies of scale and greater bargaining power with suppliers as our business scale expands. As a result, our gross profit margin increased from 73.3% in the nine months ended September 30, 2024 to 75.3% in the nine months ended September 30, 2025, as we strengthened our cost control through more effective management of our procurement from major suppliers.

Our cost of inventories sold accounted for 85.2%, 87.5%, 87.0% and 86.5% of our total cost of sales in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. We harness our relationship with trusted raw material suppliers and contract manufacturers and implement systematic procurement and inventory management policies, which has enabled us to manage our cost of inventories sold effectively in the past. While we expect to reinforce these measures and leverage our operational experience with the supply chain, the prices of such procurement may still fluctuate due to various factors, many of which are beyond our control, such as changes in the raw material supplies, underlying labor and other production costs, manufacturing schedules and operating conditions of these suppliers and overall supply and demand dynamics between our suppliers and us. As we pursue product upgrades, we may also incur higher costs for enhanced or new ingredients, formulations and manufacturing techniques. All of these factors could cause our cost of inventories sold to fluctuate and therefore affect our results of operations. As we further expand our business and enhance our product portfolio, we must ensure that the capacity and quality of our suppliers constantly align with our business objectives, while we shall also maintain cost efficiency and supply chain resilience to ensure our profitability.

In addition, our logistics and delivery costs accounted for 14.8%, 12.6%, 13.0% and 13.2% of our total cost of sales in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. Our relationship with third-party logistics and delivery service providers allows us to leverage their strong distribution networks and ensures an efficient and seamless delivery chain from warehouses to consumers and complements our consumer experience. We expect to continue to maintain stable relationship with our third-party logistics and delivery service providers to ensure the efficiency of our logistics and delivery and relevant cost management.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (1) our selection of critical accounting policies, (2) the judgment and other uncertainties affecting the application of such policies, and (3) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. See Note 2 and Note 3 to the Accountants’ Report for a detailed discussion of our material accounting policies, estimates, assumptions and judgments which are important for understanding our financial condition and results of operations.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life
Motor vehicles	4 years
Office equipment	3 years
Experiment equipment	5 years
Other equipment	5 years
Leasehold improvements	Over the shorter of the lease terms and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year/period the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is determined on the weighted average method. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to sale. Costs necessary to make the sale include incremental costs directly attributable to the completion and sale.

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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We primarily generate revenue from sale of goods. Further details of our revenue recognition policies are as follows:

Sale of products

We primarily sell our products to customers mainly through online channels including direct online sales, and online retailers and distributors, and offline channels including offline retailers and distributors.

Online channels

For direct sales, the performance obligation is satisfied upon the acceptance confirmation by customers. Payment is mainly settled on cash or credit card simultaneously. For sales to retailers and distributors, the performance obligation is satisfied upon the acceptance confirmation by customers and payment is settled mainly within a credit term of 45 to 90 days, or prior to product delivery. For consignment sales, the performance obligation is satisfied upon the acceptance of goods by end customers and payment is generally required within 45 days.

Offline channels

We primarily sell our products to customers through offline sales channels such as retailers and distributors. Payment in advance is usually required, except for certain customers with credit term of 45 to 90 days.

Our management expects the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of the end of each period of the Track Record Period will be recognized within one year from the end of each period of the Track Record Period. Therefore, the practical expedient allowed by IFRS 15.121 is applied.

Rights of return

Some contracts for the sale of products provide customers with rights of return, giving rise to variable consideration.

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 of variable consideration to which we will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Membership loyalty program

We operate a membership loyalty program, which allows customers to accumulate loyalty points when they purchase products. The loyalty points could be redeemed for discounts on products in a limited period. Under IFRS 15, the membership loyalty program gives rise to a separate performance obligation because it provides a material right to the customer and we allocate a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price.

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Volume rebates

Retrospective volume 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 offset against amounts payable by the customer. 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. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

Estimation uncertainty for variable consideration for sales rebates

We estimate variable consideration to be included in the transaction price for the sale of skincare products with rights of sales rebates. Our expected sales rebates are analyzed on a per customer basis pursuant to the rebate terms and principals stipulated in the contracts. Determining whether a customer is likely to be entitled to a rebate depends on the customer’s historical rebate entitlement and accumulated purchases.

We have applied a statistical model for estimating expected sales rebates. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by us.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statement of profit or loss with line items in absolute amount and as a percentage of our revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)				(Unaudited)			
Revenue	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0
Cost of sales	(455,030)	(23.4)	(553,192)	(26.6)	(366,229)	(26.7)	(374,425)	(24.7)
Gross profit	1,492,949	76.6	1,529,729	73.4	1,006,695	73.3	1,139,075	75.3
Other income and gains . .	20,080	1.0	9,513	0.5	7,021	0.5	22,728	1.5
Selling and distribution expenses	(1,267,535)	(65.1)	(1,238,292)	(59.4)	(848,207)	(61.8)	(871,278)	(57.6)
Research and development expenses	(65,979)	(3.4)	(57,834)	(2.8)	(40,108)	(2.9)	(39,981)	(2.6)
Administrative expenses .	(114,766)	(5.9)	(94,543)	(4.5)	(65,241)	(4.8)	(83,700)	(5.5)
Reversal of/(impairment losses) on financial assets, net	89	0.0	(139)	(0.0)	167	0.0	35	0.0
Other expenses	(4,041)	(0.2)	(1,628)	(0.1)	(1,271)	(0.1)	(75)	(0.0)
Finance costs	(642)	(0.0)	(1,388)	(0.1)	(709)	(0.1)	(988)	(0.1)
Profit before tax	60,155	3.0	145,418	7.0	58,347	4.1	165,816	11.0
Income tax expense	(21,320)	(1.1)	(16,278)	(0.8)	(8,566)	(0.6)	(21,284)	(1.4)
Profit for the year/period	38,835	1.9	129,140	6.2	49,781	3.5	144,532	9.6

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted net profit (non-IFRS measure) as an additional financial metric. This measure is not required by, nor presented in accordance with, IFRS Accounting Standards. We believe that such non-IFRS measure facilitates comparisons of operating performance across periods and between companies by eliminating the potential impact of certain items, thereby providing useful information to [REDACTED] and others for understanding and evaluating our consolidated results of operations in the same way they assist our management. However, our presentation of adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and they should not be considered in isolation from, or as a substitute for, analysis of our results of operations or financial condition as reported under IFRS Accounting Standards. We define adjusted net profit (non-IFRS measure) as profit for the year/period adjusted for [REDACTED] expenses and share-based payment expenses, and adjusted net profit margin (non-IFRS measure) as adjusted net profit (non-IFRS measure) for the year/period divided by revenue for the year/period and multiplied by 100%. [REDACTED] expenses are incurred in connection with the [REDACTED] and the [REDACTED] and non-recurring. The share-based payment expenses are non-cash charges resulting from the granting of incentives and rewards to eligible participants who contribute to the success of our operations. The following table provides a reconciliation from adjusted net profit (non-IFRS measure) to profit for the year/period as presented in accordance with IFRS Accounting Standards.

	Year ended December 31,		Nine months ended September 30,	
	2023	2024	2024	2025
	(RMB in thousands, except for percentages)			
	(Unaudited)		(Unaudited)	
Profit for the year/period	38,835	129,140	49,781	144,532
Add:				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share-based payment expenses	53,482	304	201	274
Adjusted net profit for the year/period (non-IFRS measure) .	92,317	129,444	49,982	145,278
Adjusted net profit margin for the year/period (non-IFRS measure)	4.7%	6.2%	3.6%	9.6%

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF RESULTS OF OPERATIONS

Revenue

In 2023 and 2024, we generated revenue of RMB1,948.0 million and RMB2,082.9 million, respectively. For the nine months ended September 30, 2024 and 2025, we generated revenue of RMB1,372.9 million and RMB1,513.5 million, respectively.

Revenue by efficacy type

During the Track Record Period, we generated revenue from the sales of corrective skincare products and, to a lesser extent, preventative skincare products. For details, see “Business—Our Products.” The following table sets forth the breakdown of our revenue by efficacy type, in absolute amount and as a percentage of our total revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)							
					(Unaudited)		(Unaudited)	
Corrective skincare products . .	1,593,714	81.8	1,630,755	78.3	1,090,140	79.4	1,189,834	78.6
Preventative skincare products .	354,265	18.2	452,166	21.7	282,784	20.6	323,666	21.4
Total	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0

Revenue by product type

During the Track Record Period, we generated revenue from the sales of skincare products, such as essences and serums, lotions, creams, cleansers and sunscreens. For details, see “Business—Our Products.” The following table sets forth the breakdown of our revenue by product type, in absolute amount and as a percentage of our total revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)							
					(Unaudited)		(Unaudited)	
Essences and serums ⁽¹⁾	734,630	37.7	706,861	33.9	472,326	34.4	501,058	33.1
Lotions	270,819	13.9	296,433	14.2	194,749	14.2	245,604	16.2
Creams	693,857	35.6	707,830	34.0	478,846	34.9	476,692	31.5
Others ⁽²⁾	248,673	12.8	371,797	17.9	227,003	16.5	290,146	19.2
Total	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0

(1) Our essences and serums include both toners, such as essence toners, and serums.

(2) Others primarily include cleansers and sunscreens.

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Revenue by sales channel

During the Track Record Period, we primarily sold our products through online channels, and, to a much lesser extent, offline channels. Our online channels encompass (1) online direct sales, (2) sales to online retailers, and (3) sales to online distributors. Our offline channels primarily include (1) sales to offline retailers, and (2) sales to offline distributors. See “Business—Our Sales Channels” for details. The following table sets out a breakdown of our revenue by sales channel in absolute amount and as a percentage of our total revenue for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)				(Unaudited)		(Unaudited)	
Online channels								
Online direct sales	1,734,761	89.1	1,809,408	86.9	1,187,679	86.5	1,271,829	84.0
Sales to online retailers . .	140,879	7.2	188,454	9.0	127,439	9.3	138,695	9.2
Sales to online distributors	44,210	2.3	36,541	1.8	27,327	2.0	28,352	1.9
Subtotal	1,919,850	98.6	2,034,403	97.7	1,342,445	97.8	1,438,876	95.1
Offline channels								
Sales to offline retailers . .	25,967	1.3	35,362	1.7	23,885	1.7	35,407	2.3
Sales to offline distributors	2,162	0.1	13,156	0.6	6,594	0.5	39,217	2.6
Subtotal	28,129	1.4	48,518	2.3	30,479	2.2	74,624	4.9
Total	1,947,979	100.0	2,082,921	100.0	1,372,924	100.0	1,513,500	100.0

Cost of Sales

Our cost of sales consists primarily of (1) cost of inventories sold, primarily comprising the cost of raw materials and contract manufacturing costs, and (2) logistics and delivery costs. Our cost of sales was RMB455.0 million, RMB553.2 million, RMB366.2 million and RMB374.4 million in 2023, 2024 and for the nine months ended September 30, 2024 and 2025, respectively, accounting for 23.4%, 26.6%, 26.7% and 24.7% of the total revenue in the same periods, respectively.

The following table sets forth a breakdown of our cost of sales by nature in absolute amount and as a percentage of our total cost of sales for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)				(Unaudited)		(Unaudited)	
Cost of inventories sold . .	387,771	85.2	483,653	87.5	318,611	87.0	323,585	86.5
– Cost of raw materials . .	336,043	73.8	411,967	74.5	273,352	74.6	275,270	73.6
– Contract manufacturing costs	51,728	11.4	71,686	13.0	45,259	12.4	48,315	12.9
Logistics and delivery costs	67,184	14.8	69,950	12.6	47,648	13.0	49,608	13.2
Others ⁽¹⁾	75	0.0	(411)	(0.1)	(30)	(0.0)	1,232	0.3
Total	455,030	100.0	553,192	100.0	366,229	100.0	374,425	100.0

(1) Others primarily include write-down/(reversal of write-down) of inventories to net realizable values, staff costs and depreciation and amortization.

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Gross Profit and Gross Profit Margin

In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our gross profit was RMB1,492.9 million and RMB1,529.7 million, RMB1,006.7 million and RMB1,139.1 million, respectively, representing gross profit margin of 76.6%, 73.4%, 73.3% and 75.3% for the same periods, respectively. Gross profit margins were generally lower in 2024 primarily due to the increase in relevant cost arising from raw material and packaging material upgrades of certain corrective skincare products, which contributed a greater share of our total revenue.

Gross profit and gross profit margin by efficacy type

The following table sets forth our gross profit and our gross profit margin by efficacy type for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2023	2024	2024	2025
	Gross profit	Gross profit	Gross profit	Gross profit
	margin (%)	margin (%)	margin (%)	margin (%)
	(RMB in thousands, except for percentages)			
			(Unaudited)	(Unaudited)
Corrective skincare products . . .	1,216,870	76.4	1,179,963	72.4
Preventative skincare products . .	276,079	77.9	349,766	77.4
Total	1,492,949	76.6	1,529,729	73.4

Gross profit and gross profit margin by product type

The following table sets forth our gross profit and our gross profit margin by product type for the periods indicated.

	Year ended December 31,		Nine months ended September 30,	
	2023	2024	2024	2025
	Gross profit	Gross profit	Gross profit	Gross profit
	margin (%)	margin (%)	margin (%)	margin (%)
	(RMB in thousands, except for percentages)			
			(Unaudited)	(Unaudited)
Essences and serums	545,581	74.3	499,409	70.7
Lotions	201,828	74.5	206,527	69.7
Creams	550,923	79.4	536,890	75.9
Others	194,617	78.3	286,903	77.2
Total	1,492,949	76.6	1,529,729	73.4

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Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses consist primarily of (1) promotion expenses, mainly including advertising fees on e-commerce platforms, fees for engaging KOLs and KOCs and offline advertising expenses, (2) platform service fees, mainly including various service fees charged by e-commerce platforms, such as platform commissions and insurance fees, and (3) employee benefit expenses, including salaries, bonuses, social insurance contributions, housing provident funds, share-based payment expenses and other benefits for sales and marketing personnel.

In 2023 and 2024, our selling and distribution expenses were RMB1,267.5 million, RMB1,238.3 million, respectively, accounting for 65.1% and 59.4% of our total revenue in the same periods, respectively. Our promotion expenses in 2023 and 2024 were RMB1,114.2 million and RMB1,048.9 million, respectively, accounting for 57.2% and 50.4% of our total revenue in the same periods, respectively. In the nine months ended September 30, 2024 and 2025, our selling and distribution expenses were RMB848.2 million and RMB871.3 million, respectively, accounting for 61.8% and 57.6% of our total revenue in the same periods, respectively. Our promotion expenses in the nine months ended September 30, 2024 and 2025 were RMB720.5 million and RMB720.0 million, respectively, accounting for 52.5% and 47.6% of our total revenue in the same periods, respectively.

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

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentages)								
					(Unaudited)		(Unaudited)	
Promotion expenses	1,114,178	87.9	1,048,875	84.7	720,475	84.9	719,963	82.6
Platform service fees . . .	102,236	8.1	118,179	9.5	76,431	9.0	78,635	9.0
Employee benefit expenses	31,803	2.5	50,832	4.1	34,712	4.1	54,897	6.3
Others ⁽¹⁾	19,318	1.5	20,406	1.7	16,589	2.0	17,783	2.1
Total	1,267,535	100.0	1,238,292	100.0	848,207	100.0	871,278	100.0

(1) Others mainly represent depreciation and amortization and other miscellaneous expenses related to sales and marketing activities.

Administrative Expenses

During the Track Record Period, our administrative expenses consist primarily of (1) employee benefit expenses, comprising salaries, bonuses, social insurance contributions, housing provident funds, share-based payment expenses and other benefits for personnel in general management and administrative functions, such as human resources and finance, (2) taxes and surcharges, (3) depreciation and amortization expenses primarily related to our office premises, (4) office and utility expenses, (5) business activity and travel expenses incurred by our general management and administrative personnel, (6) professional and consulting fees, mainly including legal service fees, and (7) technology service fees incurred in our general and administrative activities.

In 2023 and 2024, our administrative expenses were RMB114.8 million and RMB94.5 million, respectively, accounting for 5.9% and 4.5% of our total revenue in the same periods, respectively. In the nine months ended September 30, 2024 and 2025, our administrative expenses were RMB65.2 million and RMB83.7 million, accounting for 4.8% and 5.5% of our total revenue in the same periods, respectively.

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

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)				(Unaudited)		(Unaudited)	
Employee benefit expenses	84,165	73.3	51,752	54.8	36,026	55.3	48,268	57.7
Taxes and surcharges . . .	15,409	13.4	16,470	17.4	9,284	14.2	12,794	15.3
Depreciation and amortization	5,783	5.0	9,763	10.3	7,603	11.7	6,516	7.8
Office and utility expenses	2,451	2.1	2,639	2.8	1,879	2.9	3,038	3.6
Business activity and travel expenses	2,105	1.8	2,243	2.4	1,596	2.4	1,655	2.0
Professional and consulting fees	1,550	1.4	3,729	3.9	3,355	5.1	1,780	2.1
Technology service fees . .	1,237	1.1	1,513	1.6	1,249	1.9	1,903	2.3
Others ⁽¹⁾	2,066	1.9	6,434	6.8	4,249	6.5	7,746	9.2
Total	114,766	100.0	94,543	100.0	65,241	100.0	83,700	100.0

(1) Others mainly represent recruitment fees, as well as miscellaneous expenses related to general and administrative activities.

Research and Development Expenses

During the Track Record Period, our research and development expenses consist primarily of (1) employee benefit expenses, including salaries, bonuses, social insurance contributions, housing provident funds, share-based payment expenses and other benefits for R&D personnel, (2) material costs related to R&D activities, (3) testing service fees to third-party institutions, mainly for testing and certifying our products, (4) R&D collaboration fees to undertake collaborative R&D projects with certain academic and research institutions, (5) professional service fees, and (6) depreciation and amortization, mainly related to our experiment equipment, office premises and other R&D facilities.

In 2023 and 2024, our research and development expenses were RMB66.0 million and RMB57.8 million, respectively, accounting for 3.4% and 2.8% of our total revenue in the same periods, respectively. In the nine months ended September 30, 2024 and 2025, our research and development expenses were RMB40.1 million and RMB40.0 million, accounting for 2.9% and 2.6% of our total revenue in the same periods, respectively. We typically incur a higher level of research and development expenses in the fourth quarter of a year.

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

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentages)								
					(Unaudited)		(Unaudited)	
Employee benefit expenses	19,949	30.2	26,559	45.9	18,279	45.6	17,091	42.7
Material costs	12,737	19.3	5,863	10.1	4,444	11.1	4,789	12.0
Testing service fees	11,252	17.1	9,451	16.3	7,041	17.6	5,779	14.5
R&D collaboration fees . .	11,726	17.8	4,801	8.3	2,297	5.7	4,140	10.4
Professional service fees .	2,432	3.7	2,208	3.8	1,709	4.3	950	2.4
Depreciation and amortization	2,720	4.1	3,795	6.6	2,611	6.5	3,669	9.2
Others ⁽¹⁾	5,163	7.8	5,157	9.0	3,727	9.2	3,563	8.8
Total	65,979	100.0	57,834	100.0	40,108	100.0	39,981	100.0

(1) Others mainly represent travel expenses and office expenses associated with our R&D personnel as well as miscellaneous expenses related to R&D activities.

Income Tax Expense

Our income tax expenses represent PRC enterprise income tax. In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our income tax was RMB21.3 million and RMB16.3 million, RMB8.6 million and RMB21.3 million, respectively. We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our subsidiaries are domiciled and operate. The following description sets forth a summary of our major income tax exposures in relevant jurisdictions.

PRC

Under the EIT Law and the implementation regulation of the EIT Law, the EIT rate of our PRC subsidiaries is 25% unless subject to tax exemption set out below.

Pursuant to the relevant laws and regulations in the PRC, the Company was accredited as an HNTE and was entitled to a preferential income tax rate of 15% during the Track Record Period. Such qualification is subject to review by the relevant PRC tax authority for every three years.

Certain of our PRC subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 5% during the Track Record Period.

Hong Kong

The standard Hong Kong profits tax rate for the Track Record Period is 16.5%. Our Hong Kong subsidiary is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2.0 million of its assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

As of the Latest Practicable Date, we did not have any unresolved disputes with any tax authority. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any tax penalties.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024

Revenue

Our revenue increased by 10.2% from RMB1,372.9 million in the nine months ended September 30, 2024 to RMB1,513.5 million in the nine months ended September 30, 2025, primarily due to (1) the sales growth of certain products under our “Morning C and Night A” series and our cleanser products; and (2) the growth of online direct sales and online retailer channels, as we expanded our account matrix on certain direct sales platforms such as *Douyin*, and rapidly scaled up our online retailer channels at the early stage of channel development.

Cost of sales

Our cost of sales increased by 2.2% from RMB366.2 million in the nine months ended September 30, 2024 to RMB374.4 million in the nine months ended September 30, 2025, primarily due to the increases in (1) cost of raw materials from RMB273.4 million in the nine months ended September 30, 2024 to RMB275.3 million in the nine months ended September 30, 2025, (2) contract manufacturing costs from RMB45.3 million in the nine months ended September 30, 2024 to RMB48.3 million in the nine months ended September 30, 2025, and (3) logistics and delivery costs from RMB47.6 million in the nine months ended September 30, 2024 to RMB49.6 million in the nine months ended September 30, 2025, driven by the increase in the sales volume of our products.

Gross profit and gross profit margin

Our gross profit increased by 13.1% from RMB1,006.7 million in the nine months ended September 30, 2024 to RMB1,139.1 million in the nine months ended September 30, 2025, and our gross profit margin from 73.3% in the nine months ended September 30, 2024 to 75.3% in the nine months ended September 30, 2025, primarily driven by the increase in revenue for the reasons discussed above, while our cost of sales maintained stable over the same periods as we were able to maintain more effective cost management, achieve a greater effect of economies of scale, and have greater bargaining power with our suppliers.

Other income and gains

Our other income and gains increased significantly from RMB7.0 million in the nine months ended September 30, 2024 to RMB22.7 million in the nine months ended September 30, 2025, primarily due to an increase in government grants from RMB5.5 million in the nine months September 30, 2024 to RMB18.6 million in the nine months September 30, 2025, representing grants received from certain local governments in connection with our relevant local business operations.

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Selling and distribution expenses

Our selling and distribution expenses increased by 2.7% from RMB848.2 million in the nine months ended September 30, 2024 to RMB871.3 million in the nine months ended September 30, 2025, primarily due to an increase in employee benefit expenses from RMB34.7 million in the nine months ended September 30, 2024 to RMB54.9 million in the nine months ended September 30, 2025, mainly driven by the expansion of our sales team to meet the growing needs of our operations.

Administrative expenses

Our administrative expenses increased by 28.3% from RMB65.2 million in the nine months ended September 30, 2024 to RMB83.7 million in the nine months ended September 30, 2025, primarily due to (1) an increase in employee benefit expenses from RMB36.0 million in the nine months ended September 30, 2024 to RMB48.3 million in the nine months ended September 30, 2025 due to the expansion of our administrative team to meet the growing needs of our operations, and (2) an increase in taxes and surcharges from RMB9.3 million in the nine months ended September 30, 2024 to RMB12.8 million in the nine months ended September 30, 2025, in line with our expanded business scale.

Research and development expenses

Our research and development expenses decreased by 0.3% from RMB40.1 million in the nine months ended September 30, 2024 to RMB40.0 million in the nine months ended September 30, 2025, primarily due to the decrease in testing service fees from RMB7.0 million in the nine months ended September 30, 2024 to RMB5.8 million in the nine months ended September 30, 2025, mainly resulting from the timing difference of testing activities and relevant fees incurred across these periods; partially offset by the increase in R&D collaboration fees from RMB2.3 million in the nine months ended September 30, 2024 to RMB4.1 million in the nine months ended September 30, 2025.

Finance costs

Our finance costs increased by 39.4% from RMB0.7 million in the nine months ended September 30, 2024 to RMB1.0 million in the nine months ended September 30, 2025, primarily due to the increase in interest on lease liabilities as a result of the addition of our leased properties.

Income tax expense

Our income tax expense increased significantly from RMB8.6 million in the nine months ended September 30, 2024 to RMB21.3 million in the nine months ended September 30, 2025, primarily due to the growth of taxable income mainly driven by our sales growth.

Profit for the period

As a result of the foregoing, our profit for the period increased significantly from RMB49.8 million in the nine months ended September 30, 2024 to RMB144.5 million in the nine months ended September 30, 2025. Our net profit margin increased from 3.5% in the nine months ended September 30, 2024 to 9.6% in the nine months ended September 30, 2025, primarily driven by the increase in our gross profit margin and the optimization of selling and distribution expenses.

Our adjusted net profit (non-IFRS measure) also increased significantly from RMB50.0 million in the nine months ended September 30, 2024 to RMB145.3 million in the nine months ended September 30, 2025, along with an increase in adjusted net profit margin (non-IFRS measure) from 3.6% to 9.6% for the same periods, generally in line with the increase in net profit and net profit margin.

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

Revenue

Our revenue increased by 6.9% from RMB1,948.0 million in 2023 to RMB2,082.9 million in 2024, primarily due to (1) the sales growth of multiple products, such as lotions, cleansers, sunscreen and masks, as we upgraded our existing products and launched new products, and (2) the growth of online direct sales and online retailer channels, as we enhanced our ability to operate our online direct sales channels, such as on *Douyin*, and rapidly scaled up our online retailer channels at the early stage of channel development, such as *JD.com*.

Cost of sales

Our cost of sales increased by 21.6% from RMB455.0 million in 2023 to RMB553.2 million in 2024, primarily due to the increases in (1) cost of raw materials from RMB336.0 million in 2023 to RMB412.0 million in 2024, (2) contract manufacturing costs from RMB51.7 million in 2023 to RMB71.7 million in 2024, and (3) logistics and delivery costs from RMB67.2 million in 2023 to RMB70.0 million in 2024, driven by the increase in the sales volume of our products.

Gross profit and gross profit margin

Our gross profit increased by 2.5% from RMB1,492.9 million in 2023 to RMB1,529.7 million in 2024, primarily driven by the increase in revenue for the reasons discussed above. Our gross profit margin decreased from 76.6% in 2023 to 73.4% in 2024, primarily due to our product upgrades that resulted higher cost for raw materials and packaging of certain corrective skincare products in 2024.

Other income and gains

Our other income and gains decreased by 52.6% from RMB20.1 million in 2023 to RMB9.5 million in 2024, primarily due to decrease in government grants and subsidies from RMB18.3 million for 2023 to RMB6.2 million for 2024, as certain government grants and subsidies were no longer applicable to us due to changes in relevant government policies and/or our eligibility for such grants and subsidies.

Selling and distribution expenses

Our selling and distribution expenses decreased by 2.3% from RMB1,267.5 million in 2023 to RMB1,238.3 million in 2024, primarily due to a decrease in promotion expenses from RMB1,114.2 million in 2023 to RMB1,048.9 million in 2024, driven by the adjustment of our marketing strategies and the organizational structure of our sales and marketing functions, which improved the efficiency of our online marketing activities; partially offset by (1) an increase in platform service fees from RMB102.2 million in 2023 to RMB118.2 million in 2024, primarily due to the increased sales volume on various e-commerce platforms, and (2) an increase in employee benefit expenses from RMB31.8 million in 2023 to RMB50.8 million in 2024, mainly driven by the expansion of our sales team to meet the growing needs of our operations.

Administrative expenses

Our administrative expenses decreased by 17.6% from RMB114.8 million in 2023 to RMB94.5 million in 2024, primarily due to the decrease in employee benefit expenses from RMB84.2 million in 2023 to RMB51.8 million in 2024, as a result of the decrease in share-based payment expenses; partially offset by the increase in the depreciation and amortization from RMB5.8 million in 2023 to RMB9.8 million in 2024, mainly attributable to the addition to our leased offices and other premises.

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Research and development expenses

Our research and development expenses decreased by 12.3% from RMB66.0 million in 2023 to RMB57.8 million in 2024, primarily due to (1) the decrease in R&D collaboration fees from RMB11.7 million in 2023 to RMB4.8 million in 2024, as we undertook a number of major collaborative R&D projects with universities and science institutions in 2023 and incurred relevant expenses, and enhanced our in-house R&D capabilities; and (2) the decrease in material costs from RMB12.7 million in 2023 to RMB5.9 million in 2024, as we refined our management policies of our research materials in 2024 and enhanced the efficiency of our R&D efforts, partially offset by the increase in employee benefit expenses, as a result of the increase in the headcount of R&D personnel as we scaled up our in-house R&D capacity.

Finance costs

Our finance costs increased significantly from RMB0.6 million in 2023 to RMB1.4 million in 2024, primarily due to the increase in interest on lease liabilities as a result of the addition of our leased properties.

Income tax expense

Our income tax expense decreased by 23.6% from RMB21.3 million in 2023 to RMB16.3 million in 2024, primarily due to the impact of certain non-deductible expense for tax purposes in 2023, in particular share-based payment expenses.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly from RMB38.8 million in 2023 to RMB129.1 million in 2024. Our net profit margin increased from 1.9% in 2023 to 6.2% in 2024, primarily driven by the optimization of selling and distribution expenses, as well as the impact of higher level of share-based payment expenses in 2023.

Our adjusted net profit (non-IFRS measure) also increased by 40.2% from RMB92.3 million in 2023 to RMB129.4 million in 2024, along with an increase in adjusted net profit margin (non-IFRS measure) from 4.7% to 6.2%, generally in line with the increase in net profit and net profit margin.

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DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As of December 31,		As of
	2023	2024	September 30,
	(RMB in thousands)		2025
			(Unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	15,055	35,359	41,070
Right-of-use assets	13,845	34,088	30,031
Intangible assets	886	377	768
Deferred tax assets	12,442	21,523	11,999
Other non-current assets	2,152	2,208	2,335
Total non-current assets	44,380	93,555	86,203
Total current assets	405,391	577,464	665,693
Total assets	449,771	671,019	751,896
LIABILITIES			
Total current liabilities	165,917	264,997	241,968
Total assets less current liabilities	283,854	406,022	509,928
Non-current liabilities			
Deferred tax liabilities	—	—	1,356
Lease liabilities	9,792	30,842	26,149
Total non-current liabilities	9,792	30,842	27,505
Total liabilities	175,709	295,839	269,473
Net assets	274,062	375,180	482,423
EQUITY			
Paid-up capital	—	5,923	5,923
Reserves	274,062	369,257	476,500
Total equity	274,062	375,180	482,423

Current Assets and Current Liabilities

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

	As of December 31,		As of	As of
	2023	2024	September 30,	November 30,
	(RMB in thousands)		2025	2025
			(Unaudited)	(Unaudited)
Current assets				
Inventories	140,090	177,576	180,127	209,086
Trade receivables	52,817	62,372	51,487	77,184
Prepayments, other receivables and other assets	53,847	86,273	166,415	66,079
Financial assets at FVTPL	70,137	140,438	170,214	275,000
Restricted cash	—	—	6,016	26,031
Cash and cash equivalents	88,500	110,805	91,434	94,408
Total current assets	405,391	577,464	665,693	747,788

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	As of December 31,		As of	As of
	2023	2024	September 30,	November 30,
			2025	2025
	(RMB in thousands)		(Unaudited)	(Unaudited)
Current liabilities				
Trade and bills payables	63,805	174,147	165,508	167,110
Other payables and accruals	64,793	67,828	67,263	103,250
Contract liabilities	457	1,924	1,876	1,454
Lease liabilities	5,865	6,403	7,321	7,325
Tax payables	30,997	14,695	–	7,628
Total current liabilities	165,917	264,997	241,968	286,767
Net current assets	239,474	312,467	423,725	461,021

Our net current assets increased from RMB239.5 million as of December 31, 2023 to RMB312.5 million as of December 31, 2024, primarily due to (1) the increase in our financial assets at FVTPL, (2) the increase in our inventories, and (3) increase in prepayments, other receivables and other assets, partially offset by the increase in trade and bills payables. Our net current assets further increased to RMB423.7 million as of September 30, 2025, primarily due to (1) the increase in our prepayments, other receivables and other assets, (2) the increase financial assets at FVTPL, and (3) the decrease in our tax payables, partially offset by (1) the decrease in cash and cash equivalents, and (2) the decrease in trade receivables. Our net current assets then increased to RMB461.0 million as of November 30, 2025, primarily due to (1) the increase in our financial assets at FVTPL, (2) the increase in our inventories, and (3) the increase in our restricted cash, partially offset by (1) the decrease in our prepayments, other receivables and other assets, and (2) the increase in our payables and accruals.

Assets

Property, plant and equipment

Our property, plant and equipment mainly comprise leasehold improvements, construction in progress, experiment equipment, motor vehicles and office equipment. We had property, plant and equipment of RMB15.1 million, RMB35.4 million and RMB41.1 million as of December 31, 2023 and 2024 and September 30, 2025, respectively. The following table sets forth a breakdown of the net book value of our property, plant and equipment as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30,
			2025
	(RMB in thousands)		(Unaudited)
Motor vehicles	914	668	483
Office equipment	1,754	2,654	2,697
Experiment equipment	7,199	8,511	9,283
Other equipment	422	673	869
Construction in progress	–	20,412	6,713
Leasehold improvements	4,766	2,441	21,025
Total	15,055	35,359	41,070

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Our property, plant and equipment increased from RMB15.1 million as of December 31, 2023 to RMB35.4 million as of December 31, 2024, primarily due to (1) the addition to construction in progress of RMB20.4 million, in connection with our manufacturing facility, offices and R&D center in Shenzhen in 2024, and (2) the addition to our experiment equipment of RMB3.2 million, representing the procurement of relevant equipment to meet the increasing needs of our in-house R&D activities, partially offset by the depreciation of our property, plant and equipment. Our property, plant and equipment further increased to RMB41.1 million as of September 30, 2025, primarily due to (1) further addition to construction in progress of RMB4.7 million, in connection with our manufacturing facility, offices and R&D center in Shenzhen, (2) the addition to our experiment equipment of RMB2.5 million, representing the procurement of relevant equipment to meet the increasing needs of our in-house R&D activities, and (3) the increase to leasehold improvements of RMB2.5 million, partially offset by the depreciation of our property, plant and equipment. In addition, construction in progress of RMB18.4 million was transferred into leasehold improvements in the nine months ended September 30, 2025, as the renovation and construction of the relevant premises were completed and ready for use.

Right-of-use assets

Our right-of-use assets mainly comprise our leased premises in Shenzhen for offices, R&D center and manufacturing facility. We had right-of-use assets of RMB13.8 million, RMB34.1 million and RMB30.0 million as of December 31, 2023 and 2024 and September 30, 2025, respectively. Our right-of-use assets increased from RMB13.8 million as of December 31, 2023 to RMB34.1 million as of December 31, 2024, primarily due to the addition to our leased premises, partially offset by depreciation. Our right-of-use assets decreased from RMB34.1 million as of December 31, 2024 to RMB30.0 million as of September 30, 2025, primarily due to the depreciation of our leased premises.

Deferred tax assets

Our deferred tax assets arise from various temporary differences for tax and accounting purposes, including those arising from certain advertising and promotion expenses of a cosmetics company that are ineligible for deduction for tax purposes in the current period and may be deducted in future periods pursuant to relevant policies in the PRC. We had deferred tax assets of RMB12.4 million, RMB21.5 million and RMB12.0 million as of December 31, 2023 and 2024 and September 30, 2025, respectively. Our deferred tax assets increased from RMB12.4 million as of December 31, 2023 to RMB21.5 million as of December 31, 2024, primarily attributable to the accrual of temporary differences representing such advertising and promotion expenses during 2024. Our deferred tax assets decreased from RMB21.5 million as of December 31, 2024 to RMB12.0 million as of September 30, 2025, as the deferred tax relevant to advertising and promotion expenses was utilized during the nine months ended September 30, 2025.

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Inventories

Our inventories consist of (1) raw materials, including various raw ingredients for our skincare products and packaging materials, (2) work in progress, and (3) finished goods. For details of our inventory management policies, see “Business—Inventory Management and Logistics—Inventory Management.” The following table sets forth our inventories as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30,
	(RMB in thousands)		2025
			(Unaudited)
Raw materials	5,835	8,184	15,789
Work in progress	35,337	66,459	75,822
Finished goods	98,918	102,933	88,516
Total	140,090	177,576	180,127

Our inventories increased from RMB140.1 million as of December 31, 2023 to RMB177.6 million as of December 31, 2024, primarily due to (1) the increase in raw materials and work in progress, as we scaled up the manufacturing of our products to meet the increase in market demand; and (2) we stocked up inventories for certain shopping festivals at the beginning of 2025. Our inventories then increased slightly to RMB180.1 million as of September 30, 2025, primarily due to the increase in work in progress and raw materials, in order to meet the increased demand from our e-commerce channels during the major shopping festivals of e-commerce platforms in the fourth quarter of the year, partially offset by the temporary decrease in our stock of finished goods during the year as a result of normal fluctuations in the ordinary course of our business operations.

The following table sets forth the number of our inventories turnover days for the periods indicated.

	For the year ended December 31,		For the nine
	2023	2024	months ended
			September 30,
			2025
			(Unaudited)
Inventory turnover days ⁽¹⁾	113	105	130

(1) Inventory turnover days for a given period is the average of the opening and ending balances of inventories divided by cost of sales for that period and multiplied by the number of days in the relevant period (i.e., 365 days for a given year and 273 days for a given nine-month period).

Our inventories turnover days were relatively stable at 113 days and 105 days in 2023 and 2024, respectively. Our inventories turnover days increased to 130 days for the nine months ended September 30, 2025, driven by the increase in inventories for the reasons discussed above.

As of November 30, 2025, approximately 56.9% of our inventories as of September 30, 2025, or RMB103.0 million, had been subsequently sold or consumed.

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Trade receivables

Our trade receivables primarily derive from our sales to retailers and distributors. Our trade receivables, net of impairment, increased from RMB52.8 million as of December 31, 2023 to RMB62.4 million as of December 31, 2024, primarily driven by the increase in sales to online retailers. Our trade receivables decreased to RMB51.5 million as of September 30, 2025, as a result of normal fluctuations in the ordinary course of our business operations.

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

	For the year ended December 31,		For the nine months ended September 30,
	2023	2024	2025
			(Unaudited)
Trade receivables turnover days ⁽¹⁾	8	10	10

(1) Average turnover days of trade receivables are equal to the average of the beginning and ending net trade receivable balances of a period divided by revenue for that period and multiplied by the number of days in the relevant period (i.e., 365 days for a given year and 273 days for a given nine-month period).

The following table sets forth an aging analysis of our trade receivables, based on transaction date and net of loss allowance, as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
			(Unaudited)
	(RMB in thousands)		
Within six months	52,817	62,372	51,487

As of November 30, 2025, approximately 48.7% of our trade receivables as of September 30, 2025, or RMB25.1 million, had been subsequently settled.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets primarily consist of (1) prepayments, mainly representing prepayments to various suppliers and third-party service providers, such as advertising services, as well as logistics and delivery services, (2) deposits, mainly including rental deposits and guarantee deposits for undertaking certain projects, (3) recoverable VAT, and (4) prepaid income tax.

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The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30,
	(RMB in thousands)		2025
			(Unaudited)
Prepayments	34,392	56,400	111,381
Deposits	5,530	6,387	3,852
Recoverable VAT	13,280	22,817	30,971
Prepaid income tax	—	—	18,872
Right-of-return assets	109	234	291
Others	744	793	1,331
Subtotal	54,055	86,631	166,698
Less: impairment allowance	(208)	(358)	(283)
Total	53,847	86,273	166,415

Prepayment, other receivables and other assets increased from RMB53.8 million as of December 31, 2023 to RMB86.3 million as of December 31, 2024, primarily due to (1) the increase in our prepayments, mainly driven by the increases in certain prepaid service fees for relevant advertising services to support our branding and marketing initiatives; and (2) the increase in recoverable VAT, in line with our increased procurement. Our prepayment, other receivables and other assets further increased to RMB166.4 million as of September 30, 2025, primarily due to (1) the increase in our prepayments, mainly driven by the increases in certain prepaid service fees, as a result of the increase in our needs for relevant advertising services in the fourth quarter; and (2) increase in prepaid income tax.

Financial assets at FVTPL

Our financial assets at FVTPL represent our investments in the wealth management products and structured deposits. Their fair value was estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. The valuation requires our Directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products and structured deposits. Our financial assets at FVTPL increased from RMB70.1 million as of December 31, 2023 to RMB170.2 million as of September 30, 2025, primarily due to the purchase of relevant products.

Our investment policies

We have established and implemented a systematic treasury management framework aimed at balancing the security, liquidity and yield of corporate funds while improving overall capital efficiency. Under this framework, priority is given to meeting the maximum working capital requirements necessary for business operations. Any temporarily idle funds beyond these needs may be allocated to short-term treasury management products for capital preservation and appreciation. Based on annual working capital needs and liquidity reserve requirements, our finance department formulates investment plans for idle funds, ensuring alignment with our overall operational strategy. To strictly control investment risks, the use of idle funds is limited to high-security, highly liquid financial instruments, including but not limited to structured deposits, term deposits, and certificates of deposit, and shall not be used to invest in equity securities or other high-risk assets. Our finance department carries out treasury management activities in compliance with corporate governance and internal control procedures, including (1) selecting qualified product issuers with sound reputations, (2) determining appropriate investment amounts based on fund

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availability periods and return objectives, (3) selecting financial products that meet the company’s investment criteria following risk assessment, and (4) executing standardized legal documentation and fulfilling ongoing management obligations in accordance with applicable laws and internal policies.

Our investment in such wealth management products and structured deposits after the [REDACTED] will be subject to compliance with Chapter 14 of the Listing Rules.

Liabilities

Trade and bills payables

The following table sets forth a breakdown of our trade and bills payables as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30,
	(RMB in thousands)		2025
			(Unaudited)
Bills payable	–	30,000	46,654
Trade payables	63,805	144,147	118,854
Total	63,805	174,147	165,508

Our trade and bills payables increased from RMB63.8 million as of December 31, 2023 to RMB174.1 million as of December 31, 2024, primarily due to the adjustment of our settlement terms with certain suppliers, which extended our credit periods with such suppliers and increased our overall trade and bills payable balances. Our trade and bills payables remained relatively stable at RMB165.5 million as of September 30, 2025.

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

	For the year ended December 31,		For the nine
	2023	2024	months ended
			September 30,
			2025
			(Unaudited)
Trade payables turnover days ⁽¹⁾	54	79	124

(1) Average turnover days of trade payables are equal to the average of the beginning and ending trade and bills payable balances of a period divided by cost of sales for that period and multiplied by the number of days in the relevant period (i.e., 365 days for a given year and 273 days for a given nine-month period).

Our trade payables turnover days increased from 54 days in 2023 to 79 days in 2024, and further to 124 days for the nine months ended September 30, 2025, primarily attributable to the extended settlement term with our suppliers starting in 2024.

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The following table sets forth an aging analysis of our trade and bills payables, based on the transaction date, as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30,
	(RMB in thousands)		2025
			(Unaudited)
Within six months	63,805	174,147	165,508

As of November 30, 2025, approximately 60.4% of our trade and bills payables as of September 30, 2025, or RMB100.0 million, had been subsequently settled.

Contract liabilities

Contract liabilities comprise (1) advances received from customers and (2) loyalty points program. Our contract liabilities increased from RMB0.5 million as of December 31, 2023 to RMB1.9 million as of December 31, 2024, primarily due to the increase in the advances received from customers, in connection with the expansion of certain offline channels. Our contract liabilities remained relatively stable at RMB1.9 million as of September 30, 2025.

As of November 30, 2025, approximately 99.4% of our contract liabilities as of September 30, 2025, or RMB1.2 million, had been recognized as revenue.

Other payables and accruals

Our other payables and accruals primarily consist of (1) payable for property, plant and equipment, (2) payroll and welfare payables, (3) deposits payable, mainly including bidding deposits, (4) accruals for various business activities, and (5) other tax payables, representing tax other than enterprise income tax payables, such as value-added tax payables. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30,
	(RMB in thousands)		2025
			(Unaudited)
Payable for property, plant and equipment	41	230	1,234
Payroll and welfare payable	10,054	14,228	11,039
Deposits payable	45	2,455	3,227
Accruals	50,086	42,530	39,882
Other tax payables	3,882	7,120	10,353
Refund liabilities	565	1,166	1,454
Others	120	99	74
Total	64,793	67,828	67,263

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Our other payables and accruals increased from RMB64.8 million as of December 31, 2023 to RMB67.8 million as of December 31, 2024, primarily due to (1) the increase in payroll and welfare payables, as a result of increase in employee headcount in 2024, and (2) the increase in other tax payables, primarily representing VAT, partially offset by the decrease in accruals. Our other payables and accruals decreased to RMB67.3 million as of September 30, 2025, primarily due to the decrease in payroll and welfare payable and accruals due to the payment of relevant amounts, partially offset by the increase in other tax payables.

Tax payables

Tax payables are related to our enterprise income tax. Our tax payables decreased from RMB31.0 million as of December 31, 2023 to RMB14.7 million as of December 31, 2024, as we incurred a higher level of non-deductible expenses for income tax purposes in 2023. Our tax payables further decreased to nil as of September 30, 2025, as a result of prepaid income tax for the nine months ended September 30, 2025.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

Our primary uses of cash are to fund our procurement of raw materials and product manufacturing, R&D activities, sales and marketing initiatives and other operational needs. During the Track Record Period, we financed our capital expenditures and working capital requirements principally with cash and cash equivalents on hand and cash generated from our operations. After the [REDACTED], we believe that our liquidity requirements will continue to be satisfied with a combination of cash and cash equivalents on hand, cash flow generated from our operating activities, net [REDACTED] from the [REDACTED] and other funds raised from the capital markets from time to time. Our cash and cash equivalents were RMB88.5 million, RMB110.8 million, RMB91.4 million and RMB94.4 million as of December 31, 2023 and 2024, September 30, 2025 and November 30, 2025, respectively. As of the same dates, we had financial assets at FVTPL (representing wealth management products and structured deposits) of RMB70.1 million, RMB140.4 million, RMB170.2 million and RMB275.0 million, respectively. As of November 30, 2025, our committed and unutilized bank facilities were RMB43.8 million. We do not anticipate any changes to the availability of financing to fund our operations in the future. Taking into account of the financial resources available to us, including our cash and cash equivalents, future cash flow from operating activities, financial assets at FVTPL representing wealth management products and structured deposits, available bank facilities, and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

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Cash Flows

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

	Year ended December 31,		Nine months ended September 30,	
	2023	2024	2024	2025
	(RMB in thousands)		(Unaudited)	(Unaudited)
Operating profit before changes in working capital	60,155	145,418	58,347	165,816
Working capital changes	40,990	51,758	(20,872)	(57,910)
Cash generated from operations	101,145	197,176	37,475	107,906
Interest received	1,009	696	458	715
Income tax paid	(85,718)	(41,659)	(41,621)	(43,971)
Net cash generated from/(used in) operating activities	16,436	156,213	(3,688)	64,650
Net cash (used in)/generated from investing activities	(1,270)	(97,763)	55,950	(40,534)
Net cash used in financing activities .	(4,715)	(36,137)	(33,189)	(43,465)
Net increase/(decrease) in cash and cash equivalents	10,451	22,313	19,073	(19,349)
Cash and cash equivalents at the beginning of the year/period	78,049	88,500	88,500	110,805
Effect of foreign exchange rate changes, net	—	(8)	(20)	(22)
Cash and cash equivalents at the end of the year/period	88,500	110,805	107,553	91,434

Operating activities

For the nine months ended September 30, 2025, our net cash generated from operating activities was RMB64.7 million, primarily due to our profit before tax of RMB165.8 million, as adjusted by (1) certain non-cash and non-operating items, mainly including (i) depreciation of items of property, plant and equipment of RMB5.5 million, and (ii) depreciation of right-of-use assets of RMB5.2 million; and (2) changes in working capital that positively affected our cash flows, mainly including a decrease in trade receivables of RMB10.8 million, partially offset by changes in working capital that negatively affected our cash flows, mainly including an increase in prepayments, other receivables and other assets of RMB61.4 million.

In 2024, our net cash generated from operating activities was RMB156.2 million, primarily due to our profit before tax of RMB145.4 million, as adjusted by (1) certain non-cash and non-operating items, mainly including (i) depreciation of right-of-use assets of RMB7.8 million, and (ii) depreciation of items of property, plant and equipment of RMB5.7 million; and (2) changes in working capital that positively affected our cash flows, mainly including an increase in trade and bills payables of RMB110.3 million, partially offset by changes in working capital that negatively affected our cash flows, mainly including an increase in inventories of RMB37.1 million.

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In 2023, our net cash generated from operating activities was RMB16.4 million, primarily due to our profit before tax of RMB60.2 million, as adjusted by (1) certain non-cash and non-operating items, mainly including share-based payment expenses of RMB53.5 million; and (2) changes in working capital that positively affected our cash flows, mainly including an increase in other payables and accruals of RMB10.9 million, partially offset by changes in working capital that negatively affected our cash flows, mainly including increase in trade receivables of RMB17.1 million.

Investing activities

For the nine months ended September 30, 2025, our net cash used in investing activities was RMB40.5 million, primarily representing purchases of financial assets at FVTPL of RMB642.3 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB612.3 million.

In 2024, our net cash used in investing activities was RMB97.8 million, primarily representing purchases of financial assets at FVTPL of RMB285.0 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB215.0 million.

In 2023, our net cash used in investing activities was RMB1.3 million, primarily representing (1) proceeds from disposal of financial assets at FVTPL of RMB285.7 million, and (2) repayment from a related party of RMB12.0 million, partially offset by (1) purchases of financial assets at FVTPL of RMB285.0 million, and (2) purchases of items of property, plant and equipment of RMB13.3 million.

Financing activities

For the nine months ended September 30, 2025, our net cash used in financing activities was RMB43.5 million, primarily representing (1) dividends paid to shareholders of RMB37.5 million and (2) principal portion of lease payments of RMB4.9 million.

In 2024, our net cash used in financing activities was RMB36.1 million, primarily representing (1) dividends paid to shareholders of RMB34.2 million and (2) principal portion of lease payments of RMB6.4 million, partially offset by capital contribution from shareholders of RMB5.9 million.

In 2023, our net cash used in financing activities was RMB4.7 million, primarily representing (1) payment of the loan from a related party of RMB50.0 million and (2) principal portion of lease payments of RMB4.1 million, partially offset by the loan from a related party of RMB50.0 million.

INDEBTEDNESS

During the Track Record Period, our indebtedness primarily consisted of lease liabilities. The following table sets forth the details of our indebtedness as of the dates indicated.

	As of December 31,		As of	As of
	2023	2024	September 30,	November 30,
			2025	2025
	(RMB in thousands)			
			(Unaudited)	(Unaudited)
Lease liabilities, current	5,865	6,403	7,321	7,325
Lease liabilities, non-current	9,792	30,842	26,149	24,973
Total	15,657	37,245	33,470	32,298

FINANCIAL INFORMATION

Lease Liabilities

Our lease liabilities are mainly in relation to various leased premises in for offices, R&D center and manufacturing facility. As of December 31, 2023 and 2024 and September 30, 2025, our lease liabilities amounted to RMB15.7 million, RMB37.2 million and RMB33.5 million, respectively, changes of which were generally driven by the additional leases and depreciation in line with changes in right-of-use assets. See “—Discussion of Selected Items from the Consolidated Statement of Financial Position—Assets—Right-of-use Assets” for details.

Indebtedness Statement

Except as discussed above, as of November 30, 2025, being the indebtedness statement date, we did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

Our Directors further confirm that (1) we 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, and (2) there has not been any material adverse change in our indebtedness since November 30, 2025 and up to the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted primarily of expenditures in relation to our payment for purchase of property, plant and equipment and intangible assets. Our capital expenditures were RMB14.1 million, RMB28.4 million and RMB12.3 million in 2023 and 2024 and the nine months ended September 30, 2025, respectively. We plan to fund our planned capital expenditures primarily by using the cash on our consolidated balance sheet, cash generated from operating activities and the net [REDACTED] from the [REDACTED].

The following table sets forth a breakdown of our capital expenditures for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2023	2024	2025
	(RMB in thousands)		(Unaudited)
Purchase of items of property, plant and equipment	13,270	28,274	11,594
Purchases of intangible assets	846	172	742
Total	14,116	28,446	12,336

CAPITAL COMMITMENT

As of December 31, 2023 and 2024 and September 30, 2025, we did not have any significant contractual commitments.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

FINANCIAL INFORMATION

[REDACTED] EXPENSES

We recorded [REDACTED] expenses in connection with the [REDACTED] and [REDACTED] of [REDACTED], [REDACTED] and RMB[REDACTED] in 2023, 2024 and the nine months ended September 30, 2025, respectively. We expect to incur a total of approximately RMB[REDACTED] million (HK\$[REDACTED] million) of [REDACTED] expenses in connection with the [REDACTED], representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED], and assuming that the [REDACTED] is not exercised), including (1) [REDACTED], SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [REDACTED] of approximately RMB[REDACTED] million (HK\$[REDACTED] million), and (2) non-[REDACTED] related expenses of approximately RMB[REDACTED] million (HK\$[REDACTED] million), which consist of (i) fees and expenses of legal advisors and accountants of approximately RMB[REDACTED] million (HK\$[REDACTED] million), and (ii) sponsor fee and other fees and expenses of approximately RMB[REDACTED] million (HK\$[REDACTED] million). Approximately RMB[REDACTED] million (HK\$[REDACTED] million) is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] million (HK\$[REDACTED] million) is expected to be deducted from equity in total. The [REDACTED] expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not related parties. Our related party transactions during the Track Record Period primarily included (1) loans to a shareholder, (2) repayment of loans and interest income from certain shareholders, and (3) loans from and repayment of such loan and interest expense to a shareholder. All such loans, interest income and interest expenses had been settled during the Track Record Period. See Note 33 of the Accountants’ Report in Appendix I to this document for details. Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business at arm’s length with reference to normal commercial terms, and would not distort our track record results or make our historical results not reflective of our future performance.

DIVIDEND

We are a holding company incorporated under the laws of the PRC. PRC Laws require that no dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. In 2023, 2024 and the nine months ended September 30, 2025, our Company declared cash dividends of nil, RMB34.2 million and RMB37.5 million, respectively, all of which had been paid in full. Dividends must be paid only out of distributable profits, which are defined as after-tax profits less appropriations to statutory and other required reserves. Subsequent to the Track Record Period, in January 2026, our Shareholders approved the declaration of cash dividends of RMB100.0 million, of which RMB56.0 million had been paid as of the Latest Practicable Date. We expect to pay the remaining portion of such cash dividends before the [REDACTED]. According to our Articles of Association, which shall become effective on the [REDACTED] Date, we will not have a formal dividend policy that provides for any pre-determined dividend payout ratio, and we may pay dividend in cash, shares or a combination of cash and shares under certain conditions.

DISTRIBUTABLE RESERVES

As of September 30, 2025, our Company had retained profits of RMB404.2 million, representing our Company’s distributable reserves as of the same date.

FINANCIAL INFORMATION

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/for year ended December 31,		As of/for nine months ended September 30,
	2023	2024	2025
			(Unaudited)
Gross profit margin	76.6%	73.4%	75.3%
Net profit margin	1.9%	6.2%	9.6%
Adjusted net profit margin (non-IFRS measure) ⁽¹⁾	4.7%	6.2%	9.6%
Current ratio ⁽²⁾ (times)	2.4	2.2	2.8
Quick ratio ⁽³⁾ (times)	1.6	1.5	2.0
Return on total assets ⁽⁴⁾	9.1%	23.0%	N/M
Return on total equity ⁽⁵⁾	17.0%	39.8%	N/M

(1) Calculated by dividing adjusted net profit (non-IFRS measure) by total revenue for the relevant year/period.

(2) Calculated by dividing total current assets by total current liabilities as of the end of the year/period.

(3) Calculated by dividing total current assets (excluding inventories) by total current liabilities as of the end of the year/period.

(4) Calculated by dividing net profit of the respective year by arithmetic mean of the opening and closing balances of total assets.

(5) Calculated by dividing net profit of the respective year by arithmetic mean of the opening and closing balances of total equity.

Analysis of Key Financial Ratios

Gross profit margin, net profit margin and adjusted net profit margin (non-IFRS measure)

See “—Period to Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin, net profit margin and adjusted net profit margin (non-IFRS measure) during the Track Record Period.

Current ratio and quick ratio

Our current ratio decreased from 2.4 as of December 31, 2023 to 2.2 as of December 31, 2024, and our quick ratio decreased from 1.6 as of December 31, 2023 to 1.5 as of December 31, 2024, primarily due to the increase in trade and bills payables. Our current ratio then increased to 2.8 as of September 30, 2025, and our quick ratio increased to 2.0 as of September 30, 2025, primarily due to (1) the increase in certain current asset items, mainly including prepayments, other receivables and other assets and financial assets at FVTPL, and (2) the decrease in certain current liability items, mainly including trade and bills payables and tax payables.

Return on total assets and return on total equity

Our return on total assets increased from 9.1% as of December 31, 2023 to 23.0% as of December 31, 2024, and our return on total equity increased from 17.0% as of December 31, 2023 to 39.8% as of December 31, 2024, primarily driven by the increase in net profit over the same periods.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

As of December 31, 2023 and 2024 and September 30, 2025, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against us or any member of our Group that is likely to have a material and adverse effect on our business, financial condition and result of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

Our principal financial instruments comprise financial assets at fair value through profit or loss and cash and cash equivalent. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from our operations.

The main risks arising from our financial instruments are credit risk and liquidity risk. See Note 36 to the Accountants’ Report in Appendix I to this document for details.

Credit Risk

We traded mainly with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our management consider the exposure to bad debts is not significant.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalent deemed adequate by our management to finance the operations and mitigate the effects of fluctuations of cash flows.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

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

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since September 30, 2025 and there is no event since September 30, 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountants’ Report in Appendix I to this document.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II to this document for details of our unaudited [REDACTED] adjusted consolidated net tangible assets.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business—Our Growth Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that the net [REDACTED] of the [REDACTED], after deducting the estimated [REDACTED] and other fees and expenses payable by us in connection with the [REDACTED], will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative range of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]), without the exercise of the [REDACTED].

We currently intend to use the net [REDACTED] from the [REDACTED] for the purposes and in the amounts as set out below:

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to invest in our R&D and product innovations. Specifically, we plan to apply:
 - (1) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, to expand and upgrade our R&D facilities and laboratory, including the establishment of new R&D center and the procurement of advanced analytical, testing and other R&D equipment, to comprehensively enhance our capabilities in ingredient development, formulation optimization and technology research, and establish a high-precision and high-safety R&D environment;
 - (2) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, to strengthen fundamental research and further improve our R&D and validation systems, including: (i) recruiting high-caliber R&D personnel and further building our interdisciplinary, professional R&D team with expertise spanning life sciences, chemistry, medicine and pharmacy, and deepening our collaboration with domestic and overseas research and academic institutions; (ii) strengthening our in-house capabilities in developing new ingredients and formulations to enhance our product competitiveness and differentiation; and (iii) optimizing our holistic evidence-based validation system, to continuously improve industry efficacy validation standards; and
 - (3) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, to continually upgrade our products and expand our product categories to meet increasingly diversified and individualized consumer demands. We plan to further upgrade our existing corrective and preventative skincare products to optimize consumer experience. We will also continue to launch innovative products across efficacies, such as anti-wrinkle, brightening and whitening, repairing and cleansing, to drive industry breakthroughs. We also intend to expand into new product categories and pursue technological innovations and differentiated competition.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to strengthen our manufacturing capabilities, including the establishment of new manufacturing facilities and upgrading of our existing manufacturing facility. We intend to procure smart manufacturing equipment and implement automated production lines alongside lean production management systems to enable scalable and refined manufacturing. These initiatives will enhance the stability and flexibility of our supply chain and support future business development. The upgraded facilities will also serve internal testing and production validation functions, ensuring consistent product quality, safeguarding the confidentiality of core formulations and increasing commercialization efficiency.

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to elevate our office environment and enhance our digitalized operation capabilities. Specifically, we plan to apply:
 - (1) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, to acquire new workspaces and establish a brand showcase center. Such new workspaces will enable more intelligent operations and improved operating efficiency. The brand showcase center will highlight our achievements, as well as our commitment to scientific innovation and aesthetic excellence, creating an immersive product display experience that further reinforces our brand image; and
 - (2) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, to upgrade our operational and information systems, including the procurement of hardware, the development or purchase of software systems, and the recruitment and training of relevant personnel, to build an efficient digital middle platform that supports end-to-end management from consumer insights, R&D to product delivery. We also plan to enhance our membership system to better engage consumers across various channels, thereby improving our operational efficiency and enabling intelligent decision-making.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to invest in branding and marketing initiatives to strengthen content-driven brand building, articulate our brand values and enhance our brand visibility and consumer awareness. This will include: (1) additional online and offline marketing programs, including KOL and KOC collaborations, diversified content creation and offline engagement activities, to create immersive brand experiences and increase our brand exposure; (2) expanded science-led consumer engagement to raise awareness of corrective skincare and dermatological skincare and promote industry standard-setting; (3) celebrity endorsements, high-quality advertising placements and similar initiatives aligned with our brand positioning to broaden consumer outreach and strengthen brand influence; and (4) continued incubation and expansion of new brands to build a multi-brand portfolio that meets diverse consumer needs.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to deepen and extend our omni-channel sales network. Specifically, we plan to (1) scale and refine our online channels to improve penetration, prioritizing platforms where our current penetration is lower, supported by tailored marketing strategies and dedicated teams to expand consumer reach and drive sales growth; (2) selectively broaden our offline distribution and direct sales footprint by establishing counters, concept stores and pop-up stores in key commercial districts in Tier 1 and Tier 2 cities, thereby strengthening offline awareness and influence; and (3) develop our directly operated retail network to deliver immersive in-store experiences aligned with our brand image, deepen consumer engagement and further complement our offline channels.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used to pursue potential investments, acquisitions, strategic collaborations and other alliances. We intend to explore both domestic and overseas companies that offer complementary value and synergies with our existing business, with the goal of enriching our product portfolio and strengthening our industry position. We also plan to identify collaboration opportunities with upstream and downstream partners along our industry value chain, to enhance our innovation and integration capabilities. As of the Latest Practicable Date, we had not identified any potential investment or acquisition targets, nor had we entered into any agreement in relation thereto.
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED] million, will be used for working capital and other general corporate purposes.

FUTURE PLANS AND USE OF [REDACTED]

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed below or above the mid-point of the indicative price range. We will receive net [REDACTED] of HK\$[REDACTED] million assuming an [REDACTED] of HK\$[REDACTED] (being the low-point of the indicative range of the [REDACTED]), and net [REDACTED] of HK\$[REDACTED] million assuming an [REDACTED] of HK\$[REDACTED] (being the high-point of the indicative range of the [REDACTED]), without the exercise of the [REDACTED]. Any additional [REDACTED] received from the exercise of the [REDACTED] will also be allocated to the above purposes on a pro rata basis. In the event that the [REDACTED] is exercised in full, we will receive net [REDACTED] of HK\$[REDACTED] million (after deducting the estimated [REDACTED] and other fees and expenses payable by us in connection with the [REDACTED] and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of our indicative [REDACTED] range).

To the extent that the net [REDACTED] are not immediately applied to the above purposes, we will only deposit the net [REDACTED] into interest-bearing account at licensed commercial banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions, so long as it is deemed to be in the best interests of our Company.

[REDACTED]

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APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, [●], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENZHEN HBN TECHNOLOGY (GROUP) COMPANY LIMITED, MORGAN STANLEY ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Shenzhen HBN Technology (Group) Company Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-56, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023 and 2024 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023 and 2024 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-10 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ 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 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified 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 accountants’ 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 accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 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.

APPENDIX I

ACCOUNTANTS’ REPORT

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023 and 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the nine months ended 30 September 2024 and 2025, the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2025 and other explanatory information (the “Interim Financial Information”). The directors of the Company are responsible for the preparation of the Interim Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods and the periods covered by the Interim Financial Information.

[●]

Certified Public Accountants

Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by [Ernst & Young] in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”), which is the functional currency of the Company, and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
REVENUE	5	1,947,979	2,082,921	1,372,924	1,513,500
Cost of sales		(455,030)	(553,192)	(366,229)	(374,425)
Gross profit		1,492,949	1,529,729	1,006,695	1,139,075
Other income and gains	6	20,080	9,513	7,021	22,728
Selling and distribution expenses . . .		(1,267,535)	(1,238,292)	(848,207)	(871,278)
Research and development expenses .	7	(65,979)	(57,834)	(40,108)	(39,981)
Administrative expenses		(114,766)	(94,543)	(65,241)	(83,700)
Reversal of impairment/(impairment losses) on financial assets, net. . . .		89	(139)	167	35
Other expenses		(4,041)	(1,628)	(1,271)	(75)
Finance costs	8	(642)	(1,388)	(709)	(988)
PROFIT BEFORE TAX	7	60,155	145,418	58,347	165,816
Income tax expense	11	(21,320)	(16,278)	(8,566)	(21,284)
PROFIT FOR THE YEAR/PERIOD		<u>38,835</u>	<u>129,140</u>	<u>49,781</u>	<u>144,532</u>
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of financial statements of subsidiaries, net of tax		—	(8)	(20)	(22)
Total comprehensive income for the year/period		<u>38,835</u>	<u>129,132</u>	<u>49,761</u>	<u>144,510</u>
Attributable to owners of the Company		38,835	129,132	49,761	144,510
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic and diluted (RMB)	13	<u>6.85</u>	<u>21.80</u>	<u>8.40</u>	<u>24.40</u>

Details of pre-[REDACTED] investments are set out in note 27 to the Historical Financial Information.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 30 September
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	14	15,055	35,359	41,070
Right-of-use assets	15	13,845	34,088	30,031
Intangible assets	16	886	377	768
Deferred tax assets	17	12,442	21,523	11,999
Other non-current assets	18	2,152	2,208	2,335
Total non-current assets		44,380	93,555	86,203
CURRENT ASSETS				
Inventories	19	140,090	177,576	180,127
Trade receivables	20	52,817	62,372	51,487
Prepayments, other receivables and other assets	21	53,847	86,273	166,415
Financial assets at fair value through profit or loss	22	70,137	140,438	170,214
Restricted cash	23	—	—	6,016
Cash and cash equivalents	23	88,500	110,805	91,434
Total current assets		405,391	577,464	665,693
CURRENT LIABILITIES				
Trade and bills payables	24	63,805	174,147	165,508
Other payables and accruals	25	64,793	67,828	67,263
Contract liabilities	26	457	1,924	1,876
Lease liabilities	15	5,865	6,403	7,321
Tax payables		30,997	14,695	—
Total current liabilities		165,917	264,997	241,968
NET CURRENT ASSETS		239,474	312,467	423,725
TOTAL ASSETS LESS CURRENT LIABILITIES				
		283,854	406,022	509,928
NON-CURRENT LIABILITIES				
Deferred tax liabilities	17	—	—	1,356
Lease liabilities	15	9,792	30,842	26,149
Total non-current liabilities		9,792	30,842	27,505
Net assets		274,062	375,180	482,423
EQUITY				
Paid-up capital	27	—	5,923	5,923
Reserves	29	274,062	369,257	476,500
Total equity		274,062	375,180	482,423

Details of pre-[REDACTED] investments are set out in note 27 to the Historical Financial Information.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Paid-up capital	Capital reserve*	Statutory reserve*	Share-based payment reserve*	Retained profits*	Total equity
	RMB’000 (note 27)	RMB’000 (note 29)	RMB’000 (note 29)	RMB’000	RMB’000	RMB’000
At 1 January 2023	–	–	18,224	–	163,521	181,745
Profit and total comprehensive income for the year	–	–	–	–	38,835	38,835
Share-based payment expenses (note 28)	–	–	–	53,482	–	53,482
Vest of share awards (note 28)	–	53,482	–	(53,482)	–	–
At 31 December 2023	–	53,482	18,224	–	202,356	274,062

Year ended 31 December 2024

	Paid-up capital	Capital reserve*	Statutory reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB’000 (note 27)	RMB’000 (note 29)	RMB’000 (note 29)	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2024	–	53,482	18,224	–	–	202,356	274,062
Profit for the year	–	–	–	–	–	129,140	129,140
Exchange differences on translation of financial statements	–	–	–	–	(8)	–	(8)
Total comprehensive income for the year	–	–	–	–	(8)	129,140	129,132
Capital contribution (note 27)	5,923	–	–	–	–	–	5,923
Dividends paid (note 12)	–	–	–	–	–	(34,241)	(34,241)
Share-based payment expenses (note 28)	–	–	–	304	–	–	304
At 31 December 2024	5,923	53,482	18,224	304	(8)	297,255	375,180

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Nine months ended 30 September 2024 (unaudited)

	Paid-up capital	Capital reserve*	Statutory reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB’000 (note 27)	RMB’000 (note 29)	RMB’000 (note 29)	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2024 . .	–	53,482	18,224	–	–	202,356	274,062
Profit for the period . .	–	–	–	–	–	49,781	49,781
Exchange differences on translation of financial statements .	–	–	–	–	(20)	–	(20)
Total comprehensive income for the period	–	–	–	–	(20)	49,781	49,761
Capital contribution (note 27)	5,923	–	–	–	–	–	5,923
Dividends paid (note 12)	–	–	–	–	–	(34,241)	(34,241)
Share-based payment expenses (note 28) .	–	–	–	201	–	–	201
At 30 September 2024 (unaudited) . .	<u>5,923</u>	<u>53,482</u>	<u>18,224</u>	<u>201</u>	<u>(20)</u>	<u>217,896</u>	<u>295,706</u>

Nine months ended 30 September 2025 (unaudited)

	Paid-up capital	Capital reserve*	Statutory reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB’000 (note 27)	RMB’000 (note 29)	RMB’000 (note 29)	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2025 . .	5,923	53,482	18,224	304	(8)	297,255	375,180
Profit for the period . .	–	–	–	–	–	144,532	144,532
Exchange differences on translation of financial statements .	–	–	–	–	(22)	–	(22)
Total comprehensive income for the period	–	–	–	–	(22)	144,532	144,510
Dividends paid (note 12)	–	–	–	–	–	(37,541)	(37,541)
Share-based payment expenses (note 28) .	–	–	–	274	–	–	274
At 30 September 2025 (unaudited) . .	<u>5,923</u>	<u>53,482</u>	<u>18,224</u>	<u>578</u>	<u>(30)</u>	<u>404,246</u>	<u>482,423</u>

* These reserve accounts comprise the consolidated reserves of RMB274,062,000, RMB369,257,000 and RMB476,500,000 (unaudited) in the consolidated statements of financial position as at 31 December 2023, 2024 and 30 September 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		Nine months ended 30 September	
	Notes	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		60,155	145,418	58,347	165,816
Adjustments for:					
Finance costs	8	642	1,388	709	988
Interest income	6	(1,141)	(731)	(493)	(715)
Share-based payment expenses	28	53,482	304	201	274
Depreciation of items of property, plant and equipment	7	3,428	5,716	4,111	5,457
Amortisation of intangible assets	7	369	400	323	266
Depreciation of right-of-use assets	7	4,909	7,776	5,939	5,218
Loss on disposal of items of property, plant and equipment	7	—	—	—	16
Loss on disposal of intangible assets . .	7	—	261	261	—
Gain on fair value changes of financial assets at fair value through profit or loss	6	(137)	(439)	—	(214)
Investment income from financial assets at fair value through profit or loss . .	6	(518)	(511)	(511)	(1,364)
Write-down/(reversal of write-down) of inventories to net realisable values . .	7	75	(411)	(30)	(116)
(Reversal of impairment)/impairment losses on financial assets, net	7	(89)	139	(167)	(35)
		121,175	159,310	68,690	175,591
Decrease/(increase) in inventories		1,168	(37,075)	(31,065)	(2,436)
(Increase)/decrease in trade receivables		(17,059)	(9,544)	15,070	10,846
Increase in prepayments, other receivables and other assets		(7,149)	(33,572)	(68,952)	(61,361)
(Decrease)/increase in trade and bills payables		(7,248)	110,342	32,479	(8,639)
Increase/(decrease) in other payables and accruals		10,910	6,248	18,874	(31)
(Decrease)/increase in contract liabilities		(652)	1,467	2,379	(48)
Increase in restricted cash		—	—	—	(6,016)
Cash flows from operations		101,145	197,176	37,475	107,906
Interest received		1,009	696	458	715
Income tax paid		(85,718)	(41,659)	(41,621)	(43,971)
Net cash flows from/(used in) operating activities		16,436	156,213	(3,688)	64,650

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		Year ended 31 December		Nine months ended 30 September	
	Note	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(13,270)	(28,274)	(14,561)	(11,594)
Purchases of intangible assets		(846)	(172)	(172)	(742)
Proceeds from disposal of financial assets at fair value through profit or loss		285,714	215,000	215,000	612,299
Purchases of financial assets at fair value through profit or loss		(285,000)	(285,000)	(145,000)	(642,299)
Interest and investment income received		132	683	683	1,802
An advance to a related party		–	(3,000)	(3,000)	–
Repayment from a related party		12,000	3,000	3,000	–
Net cash flows (used in)/from investing activities		<u>(1,270)</u>	<u>(97,763)</u>	<u>55,950</u>	<u>(40,534)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital contribution from shareholders .		–	5,923	5,923	–
Dividends paid to shareholders		–	(34,241)	(34,241)	(37,541)
Principle portion of lease payments . . .		(4,073)	(6,431)	(4,162)	(4,936)
Interest paid		(642)	(1,388)	(709)	(988)
Loan from a related party		50,000	–	–	–
Repayment of loan from a related party		<u>(50,000)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash flows used in financing activities		<u>(4,715)</u>	<u>(36,137)</u>	<u>(33,189)</u>	<u>(43,465)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		<u>10,451</u>	<u>22,313</u>	<u>19,073</u>	<u>(19,349)</u>
Cash and cash equivalents at beginning of year/period		78,049	88,500	88,500	110,805
Effect of foreign exchange rate changes, net		<u>–</u>	<u>(8)</u>	<u>(20)</u>	<u>(22)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>88,500</u>	<u>110,805</u>	<u>107,553</u>	<u>91,434</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	23	88,500	110,805	107,553	97,450
Less: Restricted cash	23	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,016</u>
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows		88,500	110,805	107,553	91,434

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		As at 30 September
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	14	15,055	33,626	39,167
Right-of-use assets	15	13,845	6,617	4,828
Intangible assets	16	640	377	768
Deferred tax assets	17	11,531	11,506	—
Investments in subsidiaries	1	—	2,923	7,245
Other non-current assets	18	2,152	1,220	1,349
Total non-current assets		43,223	56,269	53,357
CURRENT ASSETS				
Inventories	19	137,867	164,949	173,752
Trade receivables	20	52,817	62,372	51,487
Prepayments, other receivables and other assets	21	44,995	18,370	84,931
Financial assets at fair value through profit or loss	22	50,098	90,287	150,202
Amounts due from subsidiaries	1	38,482	151,382	111,080
Restricted cash	23	—	—	6,016
Cash and cash equivalents	23	62,037	43,059	48,545
Total current assets		386,296	530,419	626,013
CURRENT LIABILITIES				
Trade and bills payables	24	63,805	159,592	164,761
Other payables and accruals	25	38,962	36,894	34,255
Contract liabilities	26	388	1,437	1,314
Lease liabilities	15	5,865	4,226	4,975
Amounts due to subsidiaries	1	—	2,328	—
Tax payables		24,698	6,492	—
Total current liabilities		133,718	210,969	205,305
NET CURRENT ASSETS		252,578	319,450	420,708
TOTAL ASSETS LESS CURRENT LIABILITIES				
		295,801	375,719	474,065
NON-CURRENT LIABILITIES				
Deferred tax liabilities	17	—	—	1,356
Lease liabilities	15	9,792	3,880	916
Total non-current liabilities		9,792	3,880	2,272
Net assets		286,009	371,839	471,793
EQUITY				
Paid-up capital	27	—	5,923	5,923
Reserves	29	286,009	365,916	465,870
Total equity		286,009	371,839	471,793

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Shenzhen HBN Technology (Group) Company Limited (the “Company”) was registered in the People’s Republic of China (the “PRC”) on 28 September 2014 as a limited liability company. The registered office of the Company is located at Room 201, Building A, No. 1 Qianwan 1st Road, Shenzhen, the PRC.

During the Relevant Periods and the nine months ended 30 September 2024 and 2025, the Company and its subsidiaries (the “Group”) were involved in research and development, production and sale of skincare products.

Pursuant to the promoters agreement dated 11 November 2025 entered into by all the then shareholders of the Company and the shareholders’ resolutions dated 11 November 2025, all promoters (being all the then shareholders) agreed to convert the Company from a limited liability company into a joint stock limited company. Upon completion of the conversion on 27 November 2025, the share capital of the Company was RMB5,923,404 divided into 5,923,404 shares with a nominal value of RMB1.00 each, which were subscribed by all the then shareholders of the Company in proportion to their respective equity interests in the Company before the conversion.

As at the date of this report, the Company had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name*	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Gangzhongyan Cosmetics Co., Ltd. (杭州港中顏化妝品有限公司) (i)	PRC/Chinese Mainland 31 August 2023	RMB5,000,000	100%	–	Sale of skincare products
Shenzhen Meize Biotechnology Co., Ltd. (深圳市美則生物科技股份有限公司) (ii)	PRC/Chinese Mainland 11 November 2020	RMB1,000,000	100%	–	Processing of raw materials
Hangzhou Luokexin Biotechnology Co., Ltd. (杭州洛可馨生物科技股份有限公司) (iii)	PRC/Chinese Mainland 10 October 2023	RMB1,000,000	100%	–	Dormant
Shenzhen Gangzhongyan Biotechnology Co., Ltd. (深圳市港中顏生物科技股份有限公司) (iv)	PRC/Chinese Mainland 5 March 2024	RMB1,000,000	100%	–	Research & development, production and sale of skincare products
Shenzhen Meize Testing Technology Co., Ltd. (深圳市美則檢測技術有限公司) (v)	PRC/Chinese Mainland 31 October 2024	RMB1,500,000	100%	–	Dormant
HK HONEYMATE BIOTECH (INT’L) LIMITED (香港美則生物科技(國際)有限公司) (iii)	Hong Kong 23 August 2023	HKD1,000,000	100%	–	Dormant
Shenzhen Hujia Cosmetics Co., Ltd. (深圳市護家化妝品有限公司) (vi)	PRC/Chinese Mainland 18 September 2025	RMB2,000,000	100%	–	Sale of skincare products

* The English names of the subsidiaries established in the PRC above represent management’s best efforts in translating the Chinese names of these companies as no English names have been registered.

Notes:

- (i) No statutory audited financial statements have been prepared from date of registration/establishment to 31 December 2023. The statutory financial statements for the year ended 31 December 2024, prepared in accordance with the PRC generally accepted accounting principles and regulations, have been audited by Tianjian Certified Public Accountants LLP, a certified public accounting firm registered in the PRC.
- (ii) No statutory audited financial statements have been prepared for the years ended 31 December 2023 and 2024.
- (iii) The entities were established in 2023 and no statutory audited financial statements have been prepared since their establishment.
- (iv) The statutory financial statements for the period from date of registration/establishment to 31 December 2024, prepared in accordance with the PRC generally accepted accounting principles and regulations, have been audited by Tianjian Certified Public Accountants LLP, a certified public accounting firm registered in the PRC.

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- (v) The entity was established in 2024 and no statutory audited financial statements have been prepared since its establishment.
- (vi) The entity was established in 2025 and no statutory audited financial statements have been prepared since its establishment.

The Company

The carrying amount of the Company’s investments in subsidiaries is as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Investments, at cost	–	2,923	7,245

No impairment loss was provided for the wholly-owned subsidiaries.

The amounts due from subsidiaries and due to subsidiaries were unsecured, interest-free, repayable on demand and trade in nature.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The Historical Financial Information and the Interim Financial Information have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations as issued by the International Accounting Standards Board (the “IASB”).

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the periods covered by the Interim Financial Information.

The Historical Financial Information and the Interim Financial Information have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value at the end of each reporting period.

For shares issued to Pre-[REDACTED] Investors, pursuant to the supplemental agreement entered into between the Company and the Pre-[REDACTED] Investors in relation to the termination of certain of special rights granted by the Company, including redemption rights, liquidation preferences and anti-dilution rights, which are *void ab initio* as described in note 27 to the Historical Financial Information, having taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplementary agreement, the directors of the Company considered that it is appropriate to present the pre-[REDACTED] Investment as equity throughout the Relevant Periods and the periods covered by the Interim Financial Information. Details of the financial impacts are set out in note 27 to the Historical Financial Information.

Basis of consolidation

The Historical Financial Information and the Interim Financial Information include the financial information of the Company and its subsidiaries for the Relevant Periods and the periods covered by the Interim Financial Information. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Issued but not yet effective IFRS Accounting Standards

The Group has not adopted the following new and amended standards that have been issued but are not yet effective in the Historical Financial Information. The Group intends to apply these new and amended standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

1 Effective for annual periods beginning on or after 1 January 2026

2 Effective for annual/reporting periods beginning on or after 1 January 2027

3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making a detailed assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. So far, the Group considers that these new and amended IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group’s financial performance and financial position in the period of initial application. The application of IFRS 18 is expected to affect the presentation of the statements of profit or loss and statements of cash flows, and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group’s financial information.

2.3 Material Accounting Policy Information

Fair value measurement

The Group measures its certain of financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 the 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 takes into account 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.

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:

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- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly
- Level 3 – based on 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 on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are associates of the same third party;
 - (iv) one entity is an associate of a third entity and the other entity is a joint venture of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life
Motor vehicles	4 years
Office equipment	3 years
Experiment equipment	5 years
Other equipment	5 years
Leasehold improvements	Over the shorter of the lease terms and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 2 to 5 years based on the Group’s past experiences and different purposes on usages of the software and the authorised period for such uses.

Patent right

Purchased patent right is stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Trademark

Trademark with a finite useful life is stated at cost less any impairment losses and is amortised on a straight-line basis over their estimated useful lives of 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	21 months to 119 months

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are presented separately in the consolidated statements of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue Recognition* in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets measured at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes wealth management products.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

Expected credit losses (ECLs) are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Classification as equity and financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument.

A financial liability is any liability that is (a) a contractual obligation (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or (b) a contract that will or may be settled in the entity’s own equity instruments and is: (i) a non derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and payables at amortised cost, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables and accruals.

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Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables)

After initial recognition, trade and other payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined on the weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to sale. Costs necessary to make the sale include incremental costs directly attributable to the completion and sale.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group has established business presence.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

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- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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The Group primarily generates its revenue from sale of goods. Further details of the Group’s revenue recognition policies are as follows:

Sale of products

The Group primarily sells its products to customers mainly through online channels such as direct online sales, and online retailers and distributors, and offline channels such as offline retailers and distributors. Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customers, generally on delivery of the goods or upon the confirmation by the customers. Specifically, revenue is recognised when the goods are delivered to and accepted by customers, retailers and distributors.

Some contracts for the sale of products provide customers with rights of return, giving rise to variable consideration.

(i) Rights of return

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 of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Membership loyalty programme

The Group operates a membership loyalty programme, which allows customers to accumulate loyalty points when they purchase products. The loyalty points could be redeemed for discounts on products in a limited period. Under IFRS 15, the membership loyalty programme gives rise to a separate performance obligation because it provides a material right to the customer and the Group allocates a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price.

(iii) Volume rebates

Retrospective volume 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 offset against amounts payable by the customer. 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. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute the success of the Group’s operations. Employees (including directors) of the Group received remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted or is determined by an external valuer using the Black-Scholes model, where appropriate. Further details are included in note 28 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where grants include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

Pension scheme

The employees of the Group’s subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund—Chinese Mainland

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the Historical Financial Information.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the reporting periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of an overseas subsidiary is a currency other than the RMB. As at the end of each of the reporting period, its assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the reporting period and its profit or loss is translated into RMB at the exchange rates prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of an overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of an overseas subsidiary which arise throughout the year/period are translated into RMB at the weighted average exchange rates for the year/period.

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3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

Judgement

In the process of applying the Group’s accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Historical Financial Information:

Identifying performance obligations in membership loyalty programme

The Group operates a membership loyalty programme that rewards a customer with membership with loyalty points for each purchase. Loyalty points are redeemable for discounts of future purchase. The Group assessed that the points provide a material right to customers that they would not receive without entering into a contract. Consequently, the Group concludes that the promise to provide loyalty points to the customer is a performance obligation. The Group accounts for loyalty points as a separately identifiable component of the sales transaction(s) in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the components, i.e., the goods sold (revenue) and the loyalty points granted (deferred revenue). The allocation is made by reference to the relative standalone values of the components, i.e., the amounts for which each component could be sold separately.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 17 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for sales rebates

The Group estimates variable consideration to be included in the transaction price for the sale of skincare products with rights of sales rebates. The Group’s expected sales rebates are analysed on a per customer basis pursuant to the rebate terms and principals stipulated in the contracts. Determining whether a customer is likely to be entitled to a rebate depends on the customer’s historical rebate entitlement and accumulated purchases.

The Group has applied a statistical model for estimating expected sales rebates. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

Impairment of non-current non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including right-of-use assets and prepayments) at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment, right-of-use assets, intangible assets and prepayments for non-current assets are set out in notes 14, 15, 16 and 18 to the Historical Financial Information.

Deferred revenue—Estimating the fair value of loyalty points in membership loyalty programme

The fair value of the loyalty points is estimated by reference to the discount that the customer would obtain when redeeming the loyalty points for goods. The nominal value of this discount is reduced to take into account: (i) any discount that would be offered to customers who have not earned loyalty points from an initial sale; and (ii) the proportion of loyalty points that are expected to be forfeited by customers.

The Group recognises revenue in respect of the loyalty points in the periods, and reflecting the pattern, in which loyalty points are redeemed or expired. The amount of revenue recognised is based on the number of loyalty points that have been redeemed relative to the total number expected to be redeemed. The part of the consideration allocated to the goods sold is recorded in gross sale of products in profit or loss and the deferred revenue is recorded in “Contract liabilities” in the consolidated statements of financial position.

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and products and only has one reportable operating segment. Management monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

No geographical revenue information of the Group is presented because the vast majority of the Group’s revenue was generated from customers located in Chinese Mainland during the Relevant Periods and the periods covered by the Interim Financial Information. Almost all of the Group’s non-current assets were located in Chinese Mainland at the end of the Relevant Periods and 30 September 2025.

Information about major customers

No sales to a single customer accounted for 10% or more of the Group’s total revenue during each of the Relevant Periods and the nine months ended 30 September 2024 and 2025.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Revenue from contracts with customers	1,947,979	2,082,921	1,372,924	1,513,500

Revenue from contracts with customers

(i) Revenue information

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Types of goods				
Sale of skincare products	1,947,979	2,082,921	1,372,924	1,513,500
Timing of revenue recognition				
Goods transferred at a point in time	1,947,979	2,082,921	1,372,924	1,513,500

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the Relevant Periods and the nine months ended 30 September 2024 and 2025:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the year/period:				
Sale of goods	1,109	457	457	1,924

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(ii) *Performance obligations*

Information about the Group’s performance obligations is summarised below:

Sale of products

The Group primarily sells its products to customers mainly through online channels including direct online sales, online retailers and distributors, and offline channels including offline retailers and distributors.

Online channels

For direct sales, the performance obligation is satisfied upon the acceptance confirmation by customers. Payment is mainly settled on cash or credit card simultaneously. For sales to retailers and distributors, the performance obligation is satisfied upon the acceptance confirmation by customers and payment is settled mainly within a credit term of 45 to 90 days, or prior to product delivery. For consignment sales, the performance obligation is satisfied upon the acceptance of goods by end-customers and payment is generally required within 45 days.

Offline channels

The Group primarily sells its products to customers through offline sales channels such as retailers and distributors. Payment in advance is usually required, except for certain customers with credit term of 45 to 90 days.

The management of the Group expects the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of the end of each of the Relevant Periods and the nine months ended 30 September 2025 will be recognised within one year from the end of the respective periods and the nine months ended 30 September 2025. Therefore, the practical expedient allowed by IFRS 15.121 is applied.

6. OTHER INCOME AND GAINS

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Bank interest income	1,009	696	458	715
Other interest income	132	35	35	–
Government grants and subsidies				
– related to income*	18,284	6,185	5,513	18,608
Others	–	1,647	504	1,827
Total other income	19,425	8,563	6,510	21,150
Gain on fair value changes of financial assets				
at fair value through profit or loss	137	439	–	214
Investment income from financial assets at fair				
value through profit or loss	518	511	511	1,364
Total gains	655	950	511	1,578
Total other income and gains	20,080	9,513	7,021	22,728

* The government grants related to income mainly represent incentives received from the local government in connection with certain financial support to local business enterprises for the purpose of encouraging business development. These grants are recognised in profit or loss upon receipt of these grants. There are no unfulfilled conditions or contingencies relating to these grants.

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7. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Cost of inventories sold		387,771	483,653	318,611	323,585
Depreciation of property, plant and equipment	14	3,428	5,716	4,111	5,457
Depreciation of right-of-use assets	15	4,909	7,776	5,939	5,218
Amortisation of intangible assets	16	369	400	323	266
Research and development expenses		65,979	57,834	40,108	39,981
Expenses relating to short-term leases		226	402	278	365
Gain on fair value changes of financial assets at fair value through profit or loss		(137)	(439)	–	(214)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expenses (excluding director’s, chief executive’s and supervisor’s remuneration (note 9)*: Wages, salaries, bonuses, allowances and benefits in kind		76,969	118,784	82,134	113,246
Share-based payment expense		–	304	201	274
Pension scheme contributions**		2,402	4,859	3,519	5,305
		79,371	123,947	85,854	118,825
Loss on disposal of items of property, plant and equipment, net		–	–	–	16
Loss on disposal of intangible assets		–	261	261	–
(Reversal of impairment)/impairment losses on trade and other receivables, net.		(89)	139	(167)	(35)
Write-down/(reversal of write-down) of inventories to net realisable values		75	(411)	(30)	(116)

* Employee benefit expenses are included in “Cost of Sales”, “Selling and distribution expenses”, “Administrative expenses”, and “Research and development expenses” in profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Interest on lease liabilities	578	1,388	709	988
Interest on loan from a related party	64	–	–	–
Total	642	1,388	709	988

Details of pre-[REDACTED] investments are set out in note 27 to the Historical Financial Information.

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9. DIRECTOR’S, CHIEF EXECUTIVE’S AND SUPERVISOR’S REMUNERATION

The remuneration of each of the Company’s director, chief executive and a supervisor as recorded in each of the Relevant Periods and the nine months ended 30 September 2024 and 2025 is set out below:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind . .	2,077	4,188	3,134	2,024
Performance related bonuses	971	979	10	10
Pension scheme contributions	16	30	18	41
Subtotal	3,064	5,197	3,162	2,075
Total	3,064	5,197	3,162	2,075

(a) Independent non-executive directors

As at 30 September 2025, the Company has not appointed any independent non-executive directors. Accordingly, there were no emoluments payable to independent non-executive directors during the Relevant periods and the periods covered by the Interim Financial Information.

(b) Executive director, chief executive and supervisor

Details of the emoluments paid or payable to the chief executive, executive director and a supervisor of the Company for their services provided to the Group during the Relevant Periods and the nine months ended 30 September 2024 and 2025 are as follows:

Year ended 31 December 2023					
	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive director:					
Mr. Yao Zhenan (“Mr. Yao”)*	—	1,910	959	—	2,869
A supervisor					
Ms. Yu Jiajia	—	167	12	16	195
Total	—	2,077	971	16	3,064

Year ended 31 December 2024					
	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive director:					
Mr. Yao*	—	3,968	959	12	4,939
A supervisor					
Ms. Yu Jiajia	—	220	20	18	258
Total	—	4,188	979	30	5,197

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Nine months ended 30 September 2024					
	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Executive director:					
Mr. Yao*	–	2,976	–	4	2,980
A supervisor					
Ms. Yu Jiajia	–	158	10	14	182
Total	–	3,134	10	18	3,162

Nine months ended 30 September 2025					
	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Executive director:					
Mr. Yao*	–	1,841	–	25	1,866
A supervisor					
Ms. Yu Jiajia	–	183	10	16	209
Total	–	2,024	10	41	2,075

* Mr. Yao Zhenan is also the chief executive of the Company.

Save as disclosed above, a share-based payment expense of RMB53,482,000 was recognised in respect of the subscription of the Company’s equity interest by Mr. Yao during the year ended 31 December 2023 under the Company’s equity incentive plan, details of which are set out in note 28 to the Historical Financial information.

No remunerations were paid or payable by the Group to the director, the chief executive and the supervisor as an inducement to join or upon joining the Group or a compensation for loss of office during the Relevant Periods and the nine months ended 30 September 2024 and 2025.

There was no arrangement under which a director, the chief executive and the supervisor waived or agreed to waive any remuneration during the Relevant Periods and the nine months ended 30 September 2024 and 2025.

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group during the Relevant Periods and the nine months ended 30 September 2024 and 2025 include one, one, one and one director, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the four, four, four and four highest paid employees who are neither a director, a supervisor nor chief executive of the Company for the years ended 31 December 2023 and 2024 and the nine months ended 30 September 2024 and 2025 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries, allowances and benefits in kind	3,044	5,324	4,006	3,527
Performance related bonuses	1,117	1,489	178	267
Share-based payment expenses	–	–	12	–
Pension scheme contributions	107	226	165	202
Total	4,268	7,039	4,361	3,996

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The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
			(unaudited)	(unaudited)
Nil to HK\$1,000,000	3	3	3	2
HK\$1,000,001 to HK\$1,500,000	–	–	–	1
HK\$1,500,001 to HK\$2,000,000	–	–	–	1
HK\$2,500,001 to HK\$3,000,000	1	–	–	–
HK\$3,000,001 to HK\$3,500,000	–	–	1	–
Above HK\$5,000,000	–	1	–	–
	4	4	4	4

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

PRC enterprise income tax

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the Group’s PRC subsidiaries is 25% unless subject to tax exemption set out below.

The Company is accredited as a “High and New Technology Enterprise” and was therefore entitled to a preferential income tax rate of 15% for each of the Relevant Periods and the nine months ended 30 September 2024 and 2025. Such qualification is subject to review by the relevant tax authority in the PRC for every three years.

Certain of the Group’s PRC subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 5% during the Relevant Periods and the nine months ended 30 September 2024 and 2025.

Hong Kong profit tax

The standard Hong Kong profits tax rate for the Relevant Periods and the nine months ended 30 September 2024 and 2025 is 16.5%. The Company’s subsidiary incorporated in Hong Kong is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The income tax expense of the Group for the Relevant Periods and the nine months ended 30 September 2024 and 2025 is analysed as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Current income tax	31,982	25,359	24,656	10,404
Deferred tax (note 17).	(10,662)	(9,081)	(16,090)	10,880
Total tax charge for the year/period	21,320	16,278	8,566	21,284

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Profit before tax	60,155	145,418	58,347	165,816
Tax at the statutory tax rate of 25%	15,039	36,355	14,587	41,454
Effect of preferential tax rates of subsidiaries	(6,658)	(12,190)	(2,630)	(14,823)
Expenses not deductible for tax	21,884	215	2,331	91
Additional deduction for research and development expenses	(8,945)	(8,102)	(5,722)	(5,438)
Tax charge at the effective rate	21,320	16,278	8,566	21,284

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12. DIVIDENDS

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Dividends	—	34,241	34,241	37,541

On 4 July 2024, the Company’s shareholders approved the 2023 profit distribution plan at an annual general meeting, pursuant to which a dividend with an aggregate amount of approximately RMB34,241,000 was paid on 1 August 2024.

On 25 March 2025, the Company’s shareholders approved the 2024 profit distribution plan at an annual general meeting, pursuant to which a dividend with an aggregate amount of approximately RMB37,541,000 was paid on 30 April 2025.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year/period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the Relevant Periods and the nine months ended 30 September 2024 and 2025.

The weighted average number of ordinary shares in issue for the Relevant Periods and the nine months ended 30 September 2024 and 2025 before the conversion into a joint stock company was determined by assuming that the paid-up capital had been fully converted into share capital at the same conversion ratio of 1: 1 as upon transformation into a joint stock company as set out in note 27 to the Historical Financial Information. The Group had no potentially dilutive ordinary equity instruments in issue during the Relevant Periods and the nine months ended 30 September 2024 and 2025.

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
			(unaudited)	(unaudited)
Earnings				
Profit attributable to owners of the Company (RMB’000)	38,835	129,140	49,781	144,532
Shares				
Weighted average number of ordinary shares outstanding during the year or period used in the basic earnings per share calculation	5,665,357	5,923,404	5,923,404	5,923,404
Basic and diluted earnings per share (RMB)	6.85	21.80	8.40	24.40

Details of pre-[REDACTED] investments are set out in note 27 to the Historical Financial Information.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Motor vehicles	Office equipment	Experiment equipment	Other equipment	Leasehold improvements	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2023						
At 1 January 2023:						
Cost	—	955	2,566	385	4,938	8,844
Accumulated depreciation	—	(180)	(260)	(58)	(712)	(1,210)
Net carrying amount	—	775	2,306	327	4,226	7,634
At 1 January 2023, net of accumulated depreciation	—	775	2,306	327	4,226	7,634
Additions	1,037	1,453	5,811	193	2,355	10,849
Depreciation provided during the year	(123)	(474)	(918)	(98)	(1,815)	(3,428)
At 31 December 2023, net of accumulated depreciation	914	1,754	7,199	422	4,766	15,055
At 31 December 2023:						
Cost	1,037	2,408	8,377	578	7,293	19,693
Accumulated depreciation	(123)	(654)	(1,178)	(156)	(2,527)	(4,638)
Net carrying amount	914	1,754	7,199	422	4,766	15,055

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	Motor vehicles	Office equipment	Experiment equipment	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	1,037	2,408	8,377	578	7,293	–	19,693
Accumulated depreciation	(123)	(654)	(1,178)	(156)	(2,527)	–	(4,638)
Net carrying amount	<u>914</u>	<u>1,754</u>	<u>7,199</u>	<u>422</u>	<u>4,766</u>	<u>–</u>	<u>15,055</u>
At 1 January 2024, net of accumulated depreciation	914	1,754	7,199	422	4,766	–	15,055
Additions	–	1,904	3,217	406	81	20,412	26,020
Depreciation provided during the year	(246)	(1,004)	(1,905)	(155)	(2,406)	–	(5,716)
At 31 December 2024, net of accumulated depreciation	<u>668</u>	<u>2,654</u>	<u>8,511</u>	<u>673</u>	<u>2,441</u>	<u>20,412</u>	<u>35,359</u>
At 31 December 2024:							
Cost	1,037	4,312	11,594	984	7,374	20,412	45,713
Accumulated depreciation	(369)	(1,658)	(3,083)	(311)	(4,933)	–	(10,354)
Net carrying amount	<u>668</u>	<u>2,654</u>	<u>8,511</u>	<u>673</u>	<u>2,441</u>	<u>20,412</u>	<u>35,359</u>
	Motor vehicles	Office equipment	Experiment equipment	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 September 2025 (unaudited)							
At 1 January 2025:							
Cost	1,037	4,312	11,594	984	7,374	20,412	45,713
Accumulated depreciation	(369)	(1,658)	(3,083)	(311)	(4,933)	–	(10,354)
Net carrying amount	<u>668</u>	<u>2,654</u>	<u>8,511</u>	<u>673</u>	<u>2,441</u>	<u>20,412</u>	<u>35,359</u>
At 1 January 2025, net of accumulated depreciation	668	2,654	8,511	673	2,441	20,412	35,359
Additions	–	1,095	2,505	345	2,531	4,708	11,184
Depreciation provided during the period	(185)	(1,052)	(1,717)	(149)	(2,354)	–	(5,457)
Transfer to leasehold improvements	–	–	–	–	18,407	(18,407)	–
Disposals	<u>–</u>	<u>–</u>	<u>(16)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(16)</u>
At 30 September 2025, net of accumulated depreciation (unaudited)	<u>483</u>	<u>2,697</u>	<u>9,283</u>	<u>869</u>	<u>21,025</u>	<u>6,713</u>	<u>41,070</u>
At 30 September 2025:							
Cost	1,037	5,407	14,083	1,329	28,312	6,713	56,881
Accumulated depreciation	(554)	(2,710)	(4,800)	(460)	(7,287)	–	(15,811)
Net carrying amount (unaudited)	<u>483</u>	<u>2,697</u>	<u>9,283</u>	<u>869</u>	<u>21,025</u>	<u>6,713</u>	<u>41,070</u>

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The Company

	Motor vehicles	Office equipment	Experiment equipment	Other equipment	Leasehold improvements	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
31 December 2023							
At 1 January 2023:							
Cost	–	955	2,566	385	4,938	8,844	
Accumulated depreciation	–	(180)	(260)	(58)	(712)	(1,210)	
Net carrying amount . . .	–	775	2,306	327	4,226	7,634	
At 1 January 2023, net of accumulated depreciation	–	775	2,306	327	4,226	7,634	
Additions	1,037	1,453	5,811	193	2,355	10,849	
Depreciation provided during the year	(123)	(474)	(918)	(98)	(1,815)	(3,428)	
At 31 December 2023, net of accumulated depreciation	914	1,754	7,199	422	4,766	15,055	
At 31 December 2023:							
Cost	1,037	2,408	8,377	578	7,293	19,693	
Accumulated depreciation	(123)	(654)	(1,178)	(156)	(2,527)	(4,638)	
Net carrying amount . . .	914	1,754	7,199	422	4,766	15,055	
	Motor vehicles	Office equipment	Experiment equipment	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	1,037	2,408	8,377	578	7,293	–	19,693
Accumulated depreciation	(123)	(654)	(1,178)	(156)	(2,527)	–	(4,638)
Net carrying amount . . .	914	1,754	7,199	422	4,766	–	15,055
At 1 January 2024, net of accumulated depreciation	914	1,754	7,199	422	4,766	–	15,055
Additions	–	1,487	3,217	406	81	19,052	24,243
Depreciation provided during the year	(246)	(960)	(1,905)	(155)	(2,406)	–	(5,672)
At 31 December 2024, net of accumulated depreciation	668	2,281	8,511	673	2,441	19,052	33,626
At 31 December 2024:							
Cost	1,037	3,895	11,594	984	7,374	19,052	43,936
Accumulated depreciation	(369)	(1,614)	(3,083)	(311)	(4,933)	–	(10,310)
Net carrying amount . . .	668	2,281	8,511	673	2,441	19,052	33,626

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	Motor vehicles	Office equipment	Experiment equipment	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 September 2025 (unaudited)							
At 1 January 2025:							
Cost	1,037	3,895	11,594	984	7,374	19,052	43,936
Accumulated depreciation	(369)	(1,614)	(3,083)	(311)	(4,933)	–	(10,310)
Net carrying amount	<u>668</u>	<u>2,281</u>	<u>8,511</u>	<u>673</u>	<u>2,441</u>	<u>19,052</u>	<u>33,626</u>
At 1 January 2025, net of accumulated depreciation	668	2,281	8,511	673	2,441	19,052	33,626
Additions	–	950	2,498	343	2,531	4,509	10,831
Depreciation provided during the period	(185)	(915)	(1,717)	(149)	(2,308)	–	(5,274)
Transfer to leasehold improvements	–	–	–	–	16,848	(16,848)	–
Disposals	<u>–</u>	<u>–</u>	<u>(16)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(16)</u>
At 30 September 2025, net of accumulated depreciation (unaudited)	<u>483</u>	<u>2,316</u>	<u>9,276</u>	<u>867</u>	<u>19,512</u>	<u>6,713</u>	<u>39,167</u>
At 30 September 2025:							
Cost	1,037	4,845	14,076	1,327	26,753	6,713	54,751
Accumulated depreciation	(554)	(2,529)	(4,800)	(460)	(7,241)	–	(15,584)
Net carrying amount (unaudited)	<u>483</u>	<u>2,316</u>	<u>9,276</u>	<u>867</u>	<u>19,512</u>	<u>6,713</u>	<u>39,167</u>

15. LEASES

The Group as a lessee

The Group has lease contracts for items of buildings used in its operations. Leases of office premises generally have lease terms between 21 months and 119 months.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods and the nine months ended 30 September 2025 are as follows:

The Group

	Buildings
	RMB'000
At 1 January 2023	7,630
Additions	9,220
Increase as a result of lease modifications	1,904
Depreciation provided during the year (note 7)	<u>(4,909)</u>
At 31 December 2023 and 1 January 2024	<u>13,845</u>
Additions	29,995
Decrease as a result of lease modifications	(1,976)
Depreciation provided during the year (note 7)	<u>(7,776)</u>
At 31 December 2024 and 1 January 2025	<u>34,088</u>
Additions	1,161
Depreciation provided during the period (note 7)	<u>(5,218)</u>
At 30 September 2025 (unaudited)	<u>30,031</u>

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The Company

	Buildings
	RMB’000
At 1 January 2023	7,630
Additions	9,220
Increase as a result of lease modifications	1,904
Depreciation provided during the year	(4,909)
At 31 December 2023 and 1 January 2024	13,845
Decrease as a result of lease modifications	(1,972)
Depreciation provided during the year	(5,256)
At 31 December 2024 and 1 January 2025	6,617
Additions	1,161
Depreciation provided during the period	(2,950)
At 30 September 2025 (unaudited)	4,828

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods and the nine months ended 30 September 2025 are as follows:

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Carrying amount at the beginning of the year/period	8,606	15,657	37,245
New leases	9,220	29,995	1,161
Accretion of interest recognised during the year/period	578	1,388	988
Lease modifications	1,904	(1,976)	–
Payments	(4,651)	(7,819)	(5,924)
Carrying amount at the end of the year/period	15,657	37,245	33,470
Analysed into:			
Current portion	5,865	6,403	7,321
Non-current portion	9,792	30,842	26,149

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Carrying amount at the beginning of the year/period	8,606	15,657	8,106
New leases	9,220	–	1,161
Accretion of interest recognised during the year/period	578	500	239
Lease modifications	1,904	(1,972)	–
Payments	(4,651)	(6,079)	(3,615)
Carrying amount at the end of the year/period	15,657	8,106	5,891
Analysed into:			
Current portion	5,865	4,226	4,975
Non-current portion	9,792	3,880	916

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information.

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(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest on lease liabilities	578	1,388	709	988
Depreciation charge of right-of-use assets . . .	4,909	7,776	5,939	5,218
Expenses relating to short-term leases (included in administrative expenses and selling and distribution expenses)	226	402	278	365
Total amount recognised in profit or loss	5,713	9,566	6,926	6,571

(d) The total cash outflows for leases are disclosed in note 30(c) to the Historical Financial Information.

16. INTANGIBLE ASSETS

The Group

	Patent right	Software	Trademark	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
At 1 January 2023:				
Cost	298	233	324	855
Accumulated amortisation	(254)	(34)	(61)	(349)
Net carrying amount	44	199	263	506
At 1 January 2023, net of accumulated amortisation	44	199	263	506
Additions	697	52	–	749
Amortisation provided during the year	(328)	(24)	(17)	(369)
At 31 December 2023, net of accumulated amortisation	413	227	246	886
At 31 December 2023:				
Cost	995	285	324	1,604
Accumulated amortisation	(582)	(58)	(78)	(718)
Net carrying amount	413	227	246	886
	Patent right	Software	Trademark	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024				
At 1 January 2024:				
Cost	995	285	324	1,604
Accumulated amortisation	(582)	(58)	(78)	(718)
Net carrying amount	413	227	246	886
At 1 January 2024, net of accumulated amortisation	413	227	246	886
Additions	71	59	22	152
Disposals	–	–	(261)	(261)
Amortisation provided during the year	(360)	(33)	(7)	(400)
At 31 December 2024, net of accumulated amortisation	124	253	–	377
At 31 December 2024:				
Cost	1,066	344	–	1,410
Accumulated amortisation	(942)	(91)	–	(1,033)
Net carrying amount	124	253	–	377

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	Patent right	Software	Total
	RMB’000	RMB’000	RMB’000
	(unaudited)	(unaudited)	(unaudited)
30 September 2025			
At 1 January 2025:			
Cost	1,066	344	1,410
Accumulated amortisation	(942)	(91)	(1,033)
Net carrying amount	124	253	377
At 1 January 2025, net of accumulated amortisation	124	253	377
Additions	657	–	657
Amortisation provided during the period	(240)	(26)	(266)
At 30 September 2025, net of accumulated amortisation	541	227	768
At 30 September 2025:			
Cost	1,723	344	2,067
Accumulated amortisation	(1,182)	(117)	(1,299)
Net carrying amount	541	227	768
The Company			
	Patent right	Software	Total
	RMB’000	RMB’000	RMB’000
31 December 2023			
At 1 January 2023:			
Cost	298	233	531
Accumulated amortisation	(254)	(34)	(288)
Net carrying amount	44	199	243
At 1 January 2023, net of accumulated amortisation	44	199	243
Additions	697	52	749
Amortisation provided during the year	(328)	(24)	(352)
At 31 December 2023, net of accumulated amortisation	413	227	640
At 31 December 2023:			
Cost	995	285	1,280
Accumulated amortisation	(582)	(58)	(640)
Net carrying amount	413	227	640
	Patent right	Software	Total
	RMB’000	RMB’000	RMB’000
31 December 2024			
At 1 January 2024:			
Cost	995	285	1,280
Accumulated amortisation	(582)	(58)	(640)
Net carrying amount	413	227	640
At 1 January 2024, net of accumulated amortisation	413	227	640
Additions	71	59	130
Amortisation provided during the year	(360)	(33)	(393)
At 31 December 2024, net of accumulated amortisation	124	253	377
At 31 December 2024:			
Cost	1,066	344	1,410
Accumulated amortisation	(942)	(91)	(1,033)
Net carrying amount	124	253	377

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ACCOUNTANTS’ REPORT

	Patent right	Software	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
30 September 2025			
At 1 January 2025:			
Cost	1,066	344	1,410
Accumulated amortisation	(942)	(91)	(1,033)
Net carrying amount	124	253	377
At 1 January 2025, net of accumulated amortisation	124	253	377
Additions	657	–	657
Amortisation provided during the period	(240)	(26)	(266)
At 30 September 2025, net of accumulated amortisation	541	227	768
At 30 September 2025:			
Cost	1,723	344	2,067
Accumulated amortisation	(1,182)	(117)	(1,299)
Net carrying amount	541	227	768

17. DEFERRED TAX

The Group

The movements in deferred tax assets during the Relevant Periods and the nine months ended 30 September 2025 are as follows:

	Impairment of trade and other receivables	Provision for inventories	Unredeemed member loyalty points	Unrealised profits from inter- company transactions	Lease liabilities	Excessive advertising and promotion expenses	Losses available for offsetting against future taxable profits	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	90	189	166	–	1,291	1,729	–	–	3,465
Deferred tax credited/(charged) to profit or loss during the year	(41)	11	(94)	920	1,057	10,683	–	85	12,621
Gross deferred tax assets at 31 December 2023 and 1 January 2024	49	200	72	920	2,348	12,412	–	85	16,086
Deferred tax credited/(charged) to profit or loss during the year	16	(61)	64	(292)	325	9,414	148	90	9,704
Gross deferred tax assets at 31 December 2024 and 1 January 2025	65	139	136	628	2,673	21,826	148	175	25,790
Deferred tax credited/(charged) to profit or loss during the period (unaudited)	(21)	(18)	10	(617)	(410)	(10,412)	236	43	(11,189)
Gross deferred tax assets at 30 September 2025 (unaudited)	44	121	146	11	2,263	11,414	384	218	14,601

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The movements in deferred tax liabilities during the Relevant Periods and the nine months ended 30 September 2025 are as follows:

	Accelerated depreciation allowance for fixed assets	Right-of-use assets	Fair value adjustments of financial assets at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	511	1,145	29	1,685
Deferred tax charged/(credited) to profit or loss during the year	1,032	932	(5)	1,959
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	1,543	2,077	24	3,644
Deferred tax charged to profit or loss during the year	277	289	57	623
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	1,820	2,366	81	4,267
Deferred tax charged/(credited) to profit or loss during the period (unaudited)	121	(382)	(48)	(309)
Gross deferred tax liabilities at 30 September 2025 (unaudited)	1,941	1,984	33	3,958

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Net deferred tax assets recognised in the consolidated statements of financial position	12,442	21,523	11,999
Net deferred tax liabilities recognised in the consolidated statements of financial position	–	–	1,356

The Group had tax losses in Hong Kong of nil, RMB984,000 and RMB3,402,000 (unaudited) in aggregate as at 31 December 2023, 2024 and 30 September 2025, respectively, that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose.

The Group had tax losses in Chinese Mainland of RMB17,000 and RMB1,343,000 and RMB2,067,000 (unaudited) in aggregate as at 31 December 2023, 2024 and 30 September 2025, respectively, that will expire in one to five years for offsetting against future taxable profits.

The Company

	Impairment of trade and other receivables	Provision for inventories	Unredeemed member loyalty points	Lease liabilities	Excessive advertising and promotion expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	90	189	166	1,291	1,729	–	3,465
Deferred tax credited/(charged) to profit or loss during the year	(25)	11	(111)	1,057	10,683	85	11,700
Gross deferred tax assets at 31 December 2023 and 1 January 2024	65	200	55	2,348	12,412	85	15,165
Deferred tax credited/(charged) to profit or loss during the year	24	(61)	(41)	(1,132)	317	90	(803)
Gross deferred tax assets at 31 December 2024 and 1 January 2025	89	139	14	1,216	12,729	175	14,362
Deferred tax credited/(charged) to profit or loss during the period (unaudited)	19	(18)	(5)	(332)	(12,729)	43	(13,022)
Gross deferred tax assets at 30 September 2025 (unaudited)	108	121	9	884	–	218	1,340

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The movements in deferred tax liabilities during the Relevant Periods and the nine months ended 30 September 2025 are as follows:

	Accelerated depreciation allowance for fixed assets	Right-of-use assets	Fair value adjustments of financial assets at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	511	1,145	29	1,685
Deferred tax charged/(credited) to profit or loss during the year	1,032	932	(15)	1,949
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	1,543	2,077	14	3,634
Deferred tax charged/(credited) to profit or loss during the year	277	(1,084)	29	(778)
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	1,820	993	43	2,856
Deferred tax charged/(credited) to profit or loss during the period (unaudited)	121	(269)	(12)	(160)
Gross deferred tax liabilities at 30 September 2025 (unaudited)	1,941	724	31	2,696

For presentation purposes, the deferred tax assets and liabilities have been offset in the Company’s statements of financial position as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Net deferred tax assets recognised in the statements of financial position	11,531	11,506	–
Net deferred tax liabilities recognised in the statements of financial position	–	–	1,356

18. OTHER NON-CURRENT ASSETS

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Prepayments for property, plant and equipment	1,085	146	106
Deposits	1,067	2,062	2,229
Total	2,152	2,208	2,335

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The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Prepayments for property, plant and equipment	1,085	146	106
Deposits	1,067	1,074	1,243
Total	2,152	1,220	1,349

19. INVENTORIES

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Raw materials	5,835	8,184	15,789
Work in progress	35,337	66,459	75,822
Finished goods	98,918	102,933	88,516
Total	140,090	177,576	180,127

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Raw materials	5,796	8,092	11,046
Work in progress	35,336	62,083	75,518
Finished goods	96,735	94,774	87,188
Total	137,867	164,949	173,752

20. TRADE RECEIVABLES

The Group and The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Trade receivables	52,980	62,513	51,668
Impairment	(163)	(141)	(181)
Net carrying amount	52,817	62,372	51,487

The Group’s trade receivables generally generate from sales through retailers and some distributors. The Group generally grants a credit period of 45 to 90 days to the relevant retailers and distributors. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods and 30 September 2025, based on the date of revenue recognition and net of loss allowance, is as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Within 6 months	52,817	62,372	51,487

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The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
At the beginning of the year/period	178	163	141
Impairment losses, net	(15)	(11)	40
Amounts written off as uncollectible	–	(11)	–
At the end of the year/period	163	141	181

Majority of the receivables were neither past due nor impaired and for the concentration analysis of credit risk, please refer to note 36 to the Historical Financial Information.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

As at 31 December 2023

	Within 6 months
	RMB’000
Expected credit loss rate	0.3%
Gross carrying amount (RMB’000)	52,980
Expected credit losses (RMB’000)	(163)

As at 31 December 2024

	Within 6 months
	RMB’000
Expected credit loss rate	0.2%
Gross carrying amount (RMB’000)	62,513
Expected credit losses (RMB’000)	(141)

As at 30 September 2025

	Within 6 months
	RMB’000 (unaudited)
Expected credit loss rate	0.4%
Gross carrying amount (RMB’000)	51,668
Expected credit losses (RMB’000)	(181)

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Prepayments	34,392	56,400	111,381
Deposits	5,530	6,387	3,852
Recoverable VAT	13,280	22,817	30,971
Prepaid income tax	–	–	18,872
Right-of-return assets	109	234	291
Others	744	793	1,331
	54,055	86,631	166,698
Impairment allowance	(208)	(358)	(283)
Total	53,847	86,273	166,415

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The movements in the loss allowance for impairment of other receivables are as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
At the beginning of the year/period	421	208	358
Impairment losses, net	(74)	150	(75)
Amounts written off as uncollectible	(139)	–	–
At the end of the year/period	208	358	283

The balances are interest-free and are not secured with collateral.

The financial assets included in the above balances relate to refundable deposits and other receivables for which there were neither recent history of default, nor past due amounts.

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Prepayments	31,367	14,067	68,681
Deposits	5,455	2,225	1,020
Recoverable VAT	7,528	1,332	1,019
Prepaid income tax	–	–	13,013
Right-of-return assets	109	234	291
Others	744	641	1,052
	45,203	18,499	85,076
Impairment allowance	(208)	(129)	(145)
Total	44,995	18,370	84,931

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
At the beginning of the year/period	421	208	129
Impairment losses, net	(74)	(79)	16
Amounts written off as uncollectible	(139)	–	–
At the end of the year/period	208	129	145

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Wealth management products	70,137	140,438	170,214

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Wealth management products	50,098	90,287	150,202

The wealth management products are purchased from creditworthy commercial banks and a trust company in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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23. CASH AND CASH EQUIVALENTS, RESTRICTED CASH

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Cash and bank balances	88,500	110,805	97,450
Less: restricted cash	—	—	6,016
Cash and cash equivalents	88,500	110,805	91,434
Denominated in:			
RMB	88,500	110,713	90,389
HKD	—	92	1,045
	88,500	110,805	91,434

The RMB is not freely convertible into other currencies, however, under Regulations on the Foreign Exchange Control of the PRC and the Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Cash and bank balances	62,037	43,059	54,561
Less: restricted cash	—	—	6,016
Cash and cash equivalents	62,037	43,059	48,545
Denominated in:			
RMB	62,037	43,059	48,545

The restricted cash as at 30 September 2025 was denominated in RMB.

24. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Bills payable	—	30,000	46,654
Trade payables	63,805	144,147	118,854
Total	63,805	174,147	165,508

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Bills payable	—	30,000	46,654
Trade payables	63,805	129,592	118,107
Total	63,805	159,592	164,761

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An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods and 30 September 2025, based on the transaction date, is as follows:

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Within 6 months	63,805	174,147	165,508

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Within 6 months	63,805	159,592	164,761

Trade and bills payables are non-interest-bearing and normally settled within 45 to 90 days.

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Payable for property, plant and equipment	41	230	1,234
Payroll and welfare payable	10,054	14,228	11,039
Accruals	50,086	42,530	39,882
Deposits payable	45	2,455	3,227
Other tax payables	3,882	7,120	10,353
Refund liabilities	565	1,166	1,454
Others	120	99	74
Total	64,793	67,828	67,263

The Company

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Payable for property, plant and equipment	41	230	1,234
Payroll and welfare payable	8,534	13,218	9,433
Accruals	26,823	11,147	10,613
Deposits payable	45	2,455	3,130
Other tax payables	2,835	8,576	8,300
Refund liabilities	565	1,166	1,454
Others	119	102	91
Total	38,962	36,894	34,255

Other payables are unsecured and non-interest-bearing.

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26. CONTRACT LIABILITIES

The Group

	As at 1 January	As at 31 December		As at 30 September
	2023	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Loyalty points	1,109	434	580	605
Sale of products	—	23	1,344	1,271
Total	1,109	457	1,924	1,876

The Company

	As at 1 January	As at 31 December		As at 30 September
	2023	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Loyalty points	1,109	365	93	57
Sale of products	—	23	1,344	1,257
Total	1,109	388	1,437	1,314

27. PAID-UP CAPITAL

A summary of movements in the Company’s paid-up capital during the Relevant Periods and the nine months ended 30 September 2025 is as follows:

	Paid-up capital
	RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024	—
Capital contribution during 2024	5,923
At 31 December 2024 and 1 January 2025	5,923
At 30 September 2025 (unaudited)	5,923

In August 2024, a sum of capital amounting to approximately RMB5,923,000 was contributed by the then shareholders of the Company and credited to the Company’s paid-up capital.

Pursuant to an investor agreement entered into on 25 December 2020 (the “Agreement”), certain Pre-[REDACTED] Investors were granted by the Company with special rights (the “Special Rights”) which included redemption rights, anti-dilution rights and liquidation preference rights (the “Pre-[REDACTED] Investment”).

There was no exercise of Special Rights granted to the Pre-[REDACTED] Investors since the subscription for the equity interest, throughout the Relevant Periods or the periods covered by the Interim Financial Information.

On 30 August 2025, the Company and the Pre-[REDACTED] Investors subsequently entered into supplemental agreement, agreeing that certain of the Special Rights granted by the Company to Pre-[REDACTED] Investors, including redemption rights, liquidation preferences rights and anti-dilution rights, have been irrecoverably terminated and shall be *void ab initio*. Taking into account the legal and regulatory framework of the Company’s jurisdiction and the governing law of the supplemental agreement, the directors of the Company considered that it is appropriate to present the Pre-[REDACTED] Investment as equity throughout the Relevant Periods and the periods covered by the Interim Financial Information.

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Had the Special Rights granted to the Company to the Pre-[REDACTED] Investors been accounted for as financial liabilities measured at fair value prior to entering into the supplemental agreement, the carrying amount of the corresponding financial liabilities, total current liabilities and net assets/(liabilities) of the Group would have been:

	As at 31 December	
	2023	2024
	RMB'000	RMB'000
Financial liabilities at fair value through profit or loss	174,361	918,203
Total current liabilities	340,278	1,183,200
Net assets/(liabilities)	99,701	(543,023)

The fair value changes associated with the financial liabilities measured at fair value through profit and loss, the net profit/(loss) for the year/period, the basic and diluted earnings/(loss) per share would have been:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Fair value gain/(loss) of the financial liabilities measured at fair value through profit or loss	26,338	(743,842)	(711,936)	(150,309)
Profit/(loss) for the year/period	65,173	(614,702)	(662,155)	(5,777)
Basic and diluted earnings/(loss) per share (RMB)	11.50	(103.78)	(111.79)	(0.98)

28. SHARE-BASED PAYMENT

Pursuant to a shareholders’ resolution dated 16 March 2023, the shareholders of the Company agreed and approved an equity incentive plan of the Company for the purpose of providing incentive and rewards to executives and key employees who contributed to the success of the Group’s operation (the “Arrangements”). Pursuant to the Arrangements, Ningbo Meize Enterprise Management Partnership Enterprise (Limited Partnership) (“Ningbo Meize”), being an employee incentive platform controlled by Mr. Yao, the director of the Company, would make a capital contribution of RMB473,872 to subscribe for 8% of equity interest of the Company.

As of 31 March 2023, the subscription had been completed by Ningbo Meize, as a result, a share-based payment expense of RMB53,482,000 was immediately recognised in profit or loss in respect of the immediately vested equity incentive attributable to Mr. Yao.

On 16 April 2024, the board of directors of the Company approved the “2024 Employee Equity Incentive Plan” (the “2024 Plan”), authorising management to implement equity incentives for eligible participants including the Company’s executives and key employees. Pursuant to the 2024 Plan, Ningbo Meize agreed to grant restricted share units to the eligible employees under the Arrangements representing no more than 1% of the equity of the Company held by Ningbo Meize. As of the grant date, 26,617 units were granted to 24 eligible participants at a price of RMB1.00. These restricted share units granted to grantees shall be vested after 3 years since the completion of [REDACTED] of the Company’s shares.

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The fair values of the restricted share units at the grant date of the 2024 Plan, was determined using the Black-Scholes model. Key assumptions used in determining the fair value were as follows:

	Batch one	Batch two	Batch three
Expected volatility (%)	38.83	39.65	40.95
Risk-free interest rate (%)	1.51	2.10	2.71

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The Group recognised share-based payment expenses of RMB53,482,000, RMB304,000, RMB201,000 and RMB274,000, respectively, during the years ended 31 December 2023 and 2024 and the nine months ended 30 September 2024 and 2025.

29. RESERVES

The amounts of the Group’s reserves and the movements therein are presented in the consolidated statements of changes in equity in the Historical Financial Information.

(a) Statutory reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies’ registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to equity holders of the PRC subsidiaries.

(b) Capital reserve

The capital reserve of the Group mainly represents the effect of implementation and unlocking of share incentive arrangements.

(c) Reserve movements of the Company

Year ended 31 December 2023

	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	—	—	18,224	163,584	181,808
Profit and total comprehensive income for the year	—	—	—	50,719	50,719
Share-based payment expenses	—	53,482	—	—	53,482
Vest of share awards	53,482	(53,482)	—	—	—
At 31 December 2023	53,482	—	18,224	214,303	286,009

Year ended 31 December 2024

	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2024	53,482	—	18,224	214,303	286,009
Profit and total comprehensive income for the year	—	—	—	113,844	113,844
Dividends paid	—	—	—	(34,241)	(34,241)
Share-based payment expenses	—	304	—	—	304
At 31 December 2024	53,482	304	18,224	293,906	365,916

Nine months ended 30 September 2024 (unaudited)

	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2024	53,482	—	18,224	214,303	286,009
Profit and total comprehensive income for the period	—	—	—	31,675	31,675
Dividends paid	—	—	—	(34,241)	(34,241)
Share-based payment expenses	—	201	—	—	201
At 30 September 2024	53,482	201	18,224	211,737	283,644

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Nine months ended 30 September 2025 (unaudited)

	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	53,482	304	18,224	293,906	365,916
Profit and total comprehensive income for the period	–	–	–	137,221	137,221
Dividends paid	–	–	–	(37,541)	(37,541)
Share-based payment expenses	–	274	–	–	274
At 30 September 2025	53,482	578	18,224	393,586	465,870

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transaction

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB9,220,000, RMB29,995,000 and RMB1,161,000 (unaudited) for the years ended 31 December 2023, 2024 and nine months ended 30 September 2025, respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

	Dividends payable	Lease liabilities	Amounts due to a related party	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	–	8,606	–	8,606
Changes from financing cash flows	–	(4,651)	(64)	(4,715)
New leases	–	9,220	–	9,220
Interest expense	–	578	64	642
Lease modifications	–	1,904	–	1,904
At 31 December 2023 and 1 January 2024	–	15,657	–	15,657
Changes from financing cash flows	(34,241)	(7,819)	–	(42,060)
Dividends declared	34,241	–	–	34,241
New leases	–	29,995	–	29,995
Interest expense	–	1,388	–	1,388
Lease modifications	–	(1,976)	–	(1,976)
At 31 December 2024 and 1 January 2025	–	37,245	–	37,245
Changes from financing cash flows (unaudited)	(37,541)	(5,924)	–	(43,465)
Dividends declared (unaudited)	37,541	–	–	37,541
New leases (unaudited)	–	1,161	–	1,161
Interest expense (unaudited)	–	988	–	988
At 30 September 2025 (unaudited)	–	33,470	–	33,470
At 31 December 2023 and 1 January 2024	–	15,657	–	15,657
Changes from financing cash flows (unaudited)	(34,241)	(4,871)	–	(39,112)
Dividends declared (unaudited)	34,241	–	–	34,241
New leases (unaudited)	–	29,991	–	29,991
Interest expense (unaudited)	–	709	–	709
At 30 September 2024 (unaudited)	–	41,486	–	41,486

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(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statements of cash flows are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Within operating activities	226	402	278	365
Within financing activities	4,651	7,819	4,871	5,924
Total	4,877	8,221	5,149	6,289

31. CONTINGENT LIABILITIES

As at the end of each of the Relevant Periods and 30 September 2025, the Group did not have any material contingent liabilities.

32. COMMITMENTS

At the end of each of the Relevant Periods and 30 September 2025, the Group did not have any significant contractual commitments.

33. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the Relevant Periods and the nine months ended 30 September 2024 and 2025:

(a) Names and relationships:

Name of related parties	Relationship with the Group
Ms. Dai Lu	Shareholder of the Company
Xiamen Meitu Network Technology Co., Ltd. (“Meitu Networks”)	Shareholder of the Company
Shenzhen Yingxin Phase IV Capital Investment Partnership (Limited Partnership) (“Yingxin Investment”)	Shareholder of the Company

(b) Transactions with related parties:

The Group

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Loan to Ms. Dai Lu	–	3,000	3,000	–
Repayment of loans				
Yingxin Investment	12,000	–	–	–
Ms. Dai Lu	–	3,000	3,000	–
Total	12,000	3,000	3,000	–
Interest income				
Yingxin Investment	132	–	–	–
Ms. Dai Lu	–	35	35	–
Total	132	35	35	–

The loan to Yingxin Investment bore an annual interest rate of 4.5% and had a term of three months.

The loan to Ms.Dai Lu bore an annual interest rate of 4% and had a term of less than four months.

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	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Loan from Meitu Networks	50,000	—	—	—
Repayment of loan from Meitu Networks	50,000	—	—	—
Interest expense to Meitu Networks	64	—	—	—

The loan received from Meitu Networks had an annual interest rate of 4.5% and a term of one month.

(c) **Compensation of key management personnel of the Group:**

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries, allowances and benefits in kind	3,990	8,187	5,993	4,884
Performance related bonuses	1,998	2,013	45	49
Pension scheme contributions	65	170	110	197
Share-based payment expenses	—	24	16	24
Total compensation paid to key management personnel	6,053	10,394	6,164	5,154

Further details of the director’s, the chief executive’s and the supervisor’s emoluments are included in note 9 to the Historical Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2023 and 2024 and 30 September 2025 are as follows:

The Group

As at 31 December 2023

Financial assets	Financial assets at fair value through profit or loss-mandatorily designated as such	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	—	52,817	52,817
Financial assets included in prepayments, other receivables and other assets	—	6,066	6,066
Financial assets included in other non-current assets	—	1,067	1,067
Financial assets at fair value through profit or loss	70,137	—	70,137
Cash and cash equivalents	—	88,500	88,500
Total	70,137	148,450	218,587

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Financial liabilities	Financial liabilities at amortised cost
	RMB’000
Trade and bills payables	63,805
Financial liabilities included in other payables and accruals	47,792
Total	111,597

As at 31 December 2024

Financial assets	Financial assets at fair value through profit or loss-mandatorily designated as such	Financial assets at amortised cost	Total
	RMB’000	RMB’000	RMB’000
Trade receivables	–	62,372	62,372
Financial assets included in prepayments, other receivables and other assets	–	6,822	6,822
Financial assets included in other non-current assets	–	2,062	2,062
Financial assets at fair value through profit or loss	140,438	–	140,438
Cash and cash equivalents	–	110,805	110,805
Total	140,438	182,061	322,499

Financial liabilities	Financial liabilities at amortised cost
	RMB’000
Trade and bills payables	174,147
Financial liabilities included in other payables and accruals	45,314
Total	219,461

As at 30 September 2025

Financial assets	Financial assets at fair value through profit or loss-mandatorily designated as such	Financial assets at amortised cost	Total
	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)
Trade receivables	–	51,487	51,487
Financial assets included in prepayments, other receivables and other assets	–	4,900	4,900
Financial assets included in other non-current assets	–	2,229	2,229
Financial assets at fair value through profit or loss	170,214	–	170,214
Restricted cash	–	6,016	6,016
Cash and cash equivalents	–	91,434	91,434
Total	170,214	156,066	326,280

Financial liabilities	Financial liabilities at amortised cost
	RMB’000 (unaudited)
Trade and bills payables	165,508
Financial liabilities included in other payables and accruals	44,417
Total	209,925

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The Company

As at 31 December 2023

Financial assets	Financial assets at fair value through profit or loss-mandatorily designated as such	Financial assets at amortised cost	Total
	RMB’000	RMB’000	RMB’000
Trade receivables	–	52,817	52,817
Financial assets included in prepayments, other receivables and other assets	–	5,991	5,991
Financial assets included in other non-current assets	–	1,067	1,067
Financial assets at fair value through profit or loss	50,098	–	50,098
Cash and cash equivalents	–	62,037	62,037
Total	50,098	121,912	172,010
Financial liabilities	Financial liabilities at amortised cost		
	RMB’000		
Trade and bills payables	63,805		
Financial liabilities included in other payables and accruals	24,528		
Total	88,333		

As at 31 December 2024

Financial assets	Financial assets at fair value through profit or loss-mandatorily designated as such	Financial assets at amortised cost	Total
	RMB’000	RMB’000	RMB’000
Trade receivables	–	62,372	62,372
Financial assets included in prepayments, other receivables and other assets	–	2,737	2,737
Financial assets included in other non-current assets	–	1,074	1,074
Financial assets at fair value through profit or loss	90,287	–	90,287
Cash and cash equivalents	–	43,059	43,059
Total	90,287	109,242	199,529
Financial liabilities	Financial liabilities at amortised cost		
	RMB’000		
Trade and bills payables	159,592		
Financial liabilities included in other payables and accruals	13,934		
Total	173,526		

As at 30 September 2025

Financial assets	Financial assets at fair value through profit or loss-mandatorily designated as such	Financial assets at amortised cost	Total
	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)
Trade receivables	–	51,487	51,487
Financial assets included in prepayments, other receivables and other assets	–	1,927	1,927
Financial assets included in other non-current assets	–	1,243	1,243
Financial assets at fair value through profit or loss	150,202	–	150,202
Restricted cash	–	6,016	6,016
Cash and cash equivalents	–	48,545	48,545
Total	150,202	109,218	259,420

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Financial liabilities	Financial liabilities at amortised cost
	RMB’000 (unaudited)
Trade and bills payables	164,761
Financial liabilities included in other payables and accruals	15,068
Total	179,829

Details of pre-[REDACTED] investments are set out in note 27 to the Historical Financial Information.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s finance department is responsible for determining the policies and procedures for the fair value management of financial instruments. The finance department reports directly to the chief financial officer and the board of directors of the Company. At each reporting date, the finance center analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

Financial assets at fair value through profit or loss of the Group were wealth management products issued by banks and a trust company in Chinese Mainland and their fair value was estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2023				
Financial assets at fair value through profit or loss	–	70,137	–	70,137
As at 31 December 2024				
Financial assets at fair value through profit or loss	–	140,438	–	140,438
As at 30 September 2025				
Financial assets at fair value through profit or loss (unaudited)	–	170,214	–	170,214

During the Relevant Periods and the nine months ended 30 September 2025, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers out of Level 3 for financial assets.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise financial assets at fair value through profit or loss and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are credit risk and liquidity risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

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Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the management of the Company consider the Group’s exposure to bad debts is not significant.

Maximum exposure and staging as at 31 December 2023 and 2024 and 30 September 2025

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and staging classification as at 31 December 2023 and 2024 and 30 September 2025. The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2023

	12-month ECLs	Lifetime ECLs	
	Stage 1	Simplified approach	Total
	RMB’000	RMB’000	RMB’000
Trade receivables*	–	52,980	52,980
Financial assets included in prepayments, other receivables and other assets			
– Normal**	6,274	–	6,274
Financial assets included in other non-current assets			
– Normal**	1,067	–	1,067
Cash and cash equivalents			
– Not yet past due	88,500	–	88,500
	<u>95,841</u>	<u>52,980</u>	<u>148,821</u>

As at 31 December 2024

	12-month ECLs	Lifetime ECLs	
	Stage 1	Simplified approach	Total
	RMB’000	RMB’000	RMB’000
Trade receivables*	–	62,513	62,513
Financial assets included in prepayments, other receivables and other assets			
– Normal**	7,180	–	7,180
Financial assets included in other non-current assets			
– Normal**	2,062	–	2,062
Cash and cash equivalents			
– Not yet past due	110,805	–	110,805
	<u>120,047</u>	<u>62,513</u>	<u>182,560</u>

As at 30 September 2025

	12-month ECLs	Lifetime ECLs	
	Stage 1	Simplified approach	Total
	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)
Trade receivables*	–	51,668	51,668
Financial assets included in prepayments, other receivables and other assets			
– Normal**	5,183	–	5,183
Financial assets included in other non-current assets			
– Normal**	2,229	–	2,229
Restricted cash			
– Normal	6,016	–	6,016
Cash and cash equivalents			
– Not yet past due	91,434	–	91,434
	<u>104,862</u>	<u>51,668</u>	<u>156,530</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets are considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

At the end of each of the Relevant Periods and 30 September 2025, the Group had certain concentrations of credit risk as 52%, 79%, 63% and 82%, 97%, 93% of the Group’s trade receivables were due from the Group’s largest customer and five largest customers, respectively.

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Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group’s financial liabilities and lease liabilities as at 31 December 2023 and 2024 and 30 September 2025, based on the contractual undiscounted payments, is as follows:

The Group

As at 31 December 2023

	Less than 12 months	1 to 5 years	Total
	RMB’000	RMB’000	RMB’000
Trade and bills payables	63,805	–	63,805
Lease liabilities	6,563	10,053	16,616
Financial liabilities included in other payables and accruals	47,792	–	47,792
	<u>118,160</u>	<u>10,053</u>	<u>128,213</u>

As at 31 December 2024

	Less than 12 months	1 to 5 years	Over 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills payables	174,147	–	–	174,147
Lease liabilities	7,583	17,936	17,365	42,884
Financial liabilities included in other payables and accruals	45,314	–	–	45,314
	<u>227,044</u>	<u>17,936</u>	<u>17,365</u>	<u>262,345</u>

As at 30 September 2025

	Less than 12 months	1 to 5 years	Over 5 years	Total
	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)	RMB’000 (unaudited)
Trade and bills payables	165,508	–	–	165,508
Lease liabilities	8,330	15,415	14,418	38,163
Financial liabilities included in other payables and accruals	44,417	–	–	44,417
	<u>218,255</u>	<u>15,415</u>	<u>14,418</u>	<u>248,088</u>

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity holders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods and the nine months ended 30 September 2025.

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The Group monitors capital using gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of each of the Relevant Periods and 30 September 2025 were as follows:

	As at 31 December		As at 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Total assets	449,771	671,019	751,896
Total liabilities	175,709	295,839	269,473
Gearing ratio	39.07%	44.09%	35.84%

37. EVENTS AFTER 30 SEPTEMBER 2025

On 27 November 2025, the Company was converted into a joint stock limited company under the Company Law of the PRC. Upon the completion of the conversion, 5,923,404 ordinary shares with a nominal value of RMB1.00 each were subscribed by all the shareholders in proportion to their respective equity interest in the Company before the conversion.

On 15 January 2026, the Company’s shareholders approved the 2025 profit distribution plan at an annual general meeting, pursuant to which a dividend with an aggregate amount of approximately RMB100,000,000, of which RMB56,000,000 had been paid on 19 January 2026.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 30 September 2025.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

The following information does not form part of the Accountants’ Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company’s reporting accountants, as set out in Appendix I to this document, and is included herein for information purposes only. The unaudited [REDACTED] financial information should be read in conjunction with the “Financial Information” section in this document and the Accountants’ Report set out in Appendix I to this document.

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2025 as if the [REDACTED] had taken place on that day.

The unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as of 30 September 2025 or any future dates.

	Consolidated net tangible assets attributable to owners of the Company as at 30 September 2025	Estimated [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets as at 30 September 2025	Unaudited [REDACTED] adjusted consolidated net tangible assets per Share as at 30 September 2025	
	RMB’000	RMB’000	RMB’000	RMB	HK\$
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on an [REDACTED] of HK\$[REDACTED] per Share	481,655	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	481,655	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as at 30 September 2025 is extracted from “Appendix I—Accountants’ Report”, which is based on the unaudited consolidated equity attributable to owners of the Company as of 30 September 2025 of approximately RMB482,423,000 less intangible assets as of 30 September 2025 of approximately RMB768,000.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on the [REDACTED] of HK\$[REDACTED] per Share or HK\$[REDACTED] per Share, after deduction of the [REDACTED] fees and other related expenses payable by the Company (excluding the [REDACTED] that have been charged to profit or loss during the Relevant Periods and the nine months ended 30 September 2025) and does not take into account of any Shares which may be issued upon the exercise of the [REDACTED]. The estimated net [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.0 to RMB0.8983 prevailing on 19 January 2026.
- (3) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the capitalization issue, the share subdivision and the [REDACTED] and does not take into account of any shares which may be issued upon the exercise of the [REDACTED].
- (4) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.0 to RMB0.8983 prevailing on 19 January 2026.
- (5) No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions for the Group entered into subsequent to 30 September 2025. In particular, the unaudited [REDACTED] adjusted net tangible assets of the Group has not taken into account a cash dividend of RMB100,000,000 to owners of the Company on the relevant record date proposed by the board of directors in January 2026. The unaudited [REDACTED] net tangible assets would have been HK\$[REDACTED] per Share or HK\$[REDACTED] per Share based on the [REDACTED] of HK\$[REDACTED] per Share or HK\$[REDACTED] per Share, respectively, if the dividend had been accounted for as at 30 September 2025.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

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TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no legal or tax comments or suggestions will be made accordingly. The discussion has no intention to deal with all possible tax consequences resulting from the [REDACTED] in H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is fully subject to change or adjustment and may have retrospective effect.

No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxes on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC, which was promulgated on September 10, 1980 and most recently amended on August 31, 2018 by the Standing Committee of the National People’s Congress (the “NPC”), and came into effect on January 1, 2019, and the Implementation Provisions of the Individual Income Tax Law of the PRC which was most recently amended by the State Council on December 18, 2018 and came into effect on January 1, 2019 (collectively the “IIT Law”), dividends distributed by PRC enterprises are generally subject to a withholding individual income tax levied at a flat rate of 20%. Moreover, pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies issued by the Ministry of Finance (the “MOF”), the State Taxation Administration (the “SAT”) and CSRC on September 7, 2015, where an individual acquires stocks of a listed enterprise from public offering of the enterprise or from the stock transfer market and holds the stocks for more than one year, the income from dividends distributed by the enterprise shall be exempt from individual income tax for the time being; if the individual holds the stocks for one month or less, the income from dividends distributed by the enterprise shall be fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends distributed by the enterprise shall be taxable; the aforesaid income is subject to an individual income tax at a flat rate of 20%.

For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. Indeed, the withholding tax rate for dividends of non-resident individuals may be lower than 20% under certain circumstances. However, pursuant to the Circular of the MOF and the SAT on Issues Concerning Individual Income Tax Policies, the income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise is exempt from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of the State Council on Approving and Relaying the Several Opinions of the National Development and Reform Commission and Other Departments on Deepening Reform of the Income Distribution System. On February 8, 2013, the General Office of the State Council promulgated

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the Notice of the General Office of the State Council on Deepening the Division of Key Work for Income Distribution System Reform. Pursuant to these two documents, the PRC government is planning to cancel foreign individuals’ tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT.

Pursuant to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 045) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, normally withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed by the Central People’s Government of Mainland of China and the Government of the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the SAT and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC issued by NPC on March 16, 2007 and came into effect on December 29, 2018 and the Implementation Provisions of the Enterprise Income Tax Law of the PRC issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and latest amended on December 6, 2024 (collectively the “EIT Law”), a non-resident enterprise is generally subject to a 10% enterprise income tax (the “EIT”) on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. The withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation. Notice of the SAT on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises, which was promulgated by the SAT and came into effect on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise

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shareholders of H Shares. The Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises that was promulgated by the SAT on July 24, 2009, further provides that any Chinese resident enterprise listed on any overseas stock exchange must withhold EIT at a rate of 10% on dividends distributed to non-PRC resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed by the Central People's Government of Mainland of China and the Government of the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable.

If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the SAT and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties, which was promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and be subject to subsequent administration by tax authorities.

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Taxation on Share Transfer

Value-added Tax and Local Additional Tax

Pursuant to the Provisional Regulations of the People’s Republic of China on Value-Added Tax, which was issued by NPC on December 13, 1993, and amended and came into effect on November 19, 2017, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at rates of 0%, 6%, 11% and 17% on the different commodities they sell and different services they provide, unless otherwise specified.

Pursuant to the Notice on Adjusting Value-added Tax Rates, which was issued by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, and came into effect on May 1, 2018, the tax rates of 17% and 11% applicable to any taxpayer’s VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies on Deepening the Value-added Tax Reform, which was issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on March 20, 2019, and came into effect on April 1, 2019, the tax rate of 16% and 10% applicable to any taxpayer’s VAT taxable sale or import of goods shall be adjusted to 13% and 9% respectively.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (the “Circular 36”), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to value-added Tax (“VAT”) and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge.

Income Tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares issued by the MOF and SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on the List of Preferential Individual Income Tax Policies That Remain Effective, which was issued and implemented by the Ministry of Finance and the State Administration of Taxation on December 29, 2018, the Notice on the Temporary Exemption of Individual Income Tax on Individuals’ Income from the Transfer of Stocks will continue to be effective.

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Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Tax policies for Shanghai-Hong Kong Stock Connect

On October 31, 2014, the MOF, the SAT and the CSRC jointly promulgated the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (the “Shanghai-Hong Kong Stock Connect Taxation Policy”). Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect is included in their total income and EIT is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. Among them, EIT will be exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets, issued by the MOF, the SAT and the CSRC, for dividends and bonus obtained by individual investors of the Mainland of China investing in H-shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (the “CSDCC”) for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China. The H-share companies shall withhold individual income tax at a rate of 20%.

Tax policies for Shenzhen-Hong Kong Stock Connect

On November 5, 2016, the MOF, the SAT and the CSRC jointly issued the Notice on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (the “Shenzhen-Hong Kong Stock Connect Taxation Policy”). Pursuant to the Shenzhen-Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the Mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. EIT is exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

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Pursuant to the Notice on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets, which was issued by the MOF, the SAT and the CSRC on November 5, 2016 and came into effect on December 5, 2016, for dividends and bonus obtained by individual investors of the Mainland of China investing in the H Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to the CSDCC for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China, and the H-share companies shall withhold individual income tax at a rate of 20%.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC, which took effect on July 1, 2022, the entities and individuals that conclude taxable certificates, or conduct securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the provisions of this law; where entities or individuals, outside the territory of the PRC, conclude taxable certificates that are used within the territory of the PRC, they shall pay stamp tax in accordance with the provisions of this law. Thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

Foreign Exchange

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (the “SAFE”), with the authorization of the People’s Bank of China (the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC which came into effect on August 5, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange, which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items. Consequently, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but remains to be not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE or its local counterparts is obtained.

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According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism, which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders’ meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decision of the State Council on Cancelling and Adjusting a Group of Administrative Approval Items and Other Matters, which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of the SAFE at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies which was promulgated by the SAFE, implemented on June 9, 2016 and was amended on December 4, 2023, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions.

The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations. The Circular on Issues Concerning the Administration of Foreign Exchange in Offshore Investments and Financing and Return Investments by Domestic Residents through Special Purpose Vehicles (the “Circular 37”) was promulgated and implemented by the SAFE on July 4, 2014. According to Circular 37, domestic residents, individuals and entities shall apply to the SAFE for registration of foreign exchange for offshore investment before making contributions to special purpose vehicles with domestic and overseas legal assets or equities. In addition, any domestic resident who is a shareholder of an overseas special purpose vehicle shall complete the registration formality of foreign exchange alteration for offshore investment with the SAFE in a timely manner in the event of any change of significant matters of such overseas special purpose vehicle such as capital increase/decrease, equity transfer or swap, merge and spin-off.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

The subsequent foreign exchange business (including remittance of profits and dividend) of a domestic resident who fails to comply with the registration requirements as set out in Circular 37 may be restricted. Domestic residents that have made contributions to special purpose vehicles with domestic and overseas legal assets or equities without the required registration of foreign exchange for offshore investment prior to the implementation of Circular 37 shall issue a letter of explanation to the SAFE containing specific reasons. The SAFE shall make a post-registration following the principles of legality and rationality and impose administrative penalties in case of suspected violation of the Regulations on Foreign Exchange Control of the PRC.

According to the Circular on Further Simplifying and Improving Policies for the Foreign Exchange Administration Applicable to Direct Investment, which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks and the foreign exchange authorities shall indirectly regulate the foreign exchange registration of direct investment through banks. The banks that have obtained financial institution identification codes from foreign exchange authorities and have connected to the Capital Account Information System with the local foreign exchange authorities may directly handle the registration under Circular 37.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to our Company’s operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in “Taxation and Foreign Exchange” in Appendix III to this document. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC and Hong Kong company law, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (2018 Revision) (中華人民共和國憲法(2018修正)) (hereinafter referred to as the “Constitution”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of ministries of the State Council, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 Revision) (中華人民共和國立法法(2023修正)) (hereinafter referred to as the “Legislation Law”), the National People’s Congress (hereinafter referred to as the “NPC”) and the Standing Committee of The National People’s Congress are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend other laws other than those required to be enacted by the NPC. During the adjournment of the NPC, partial supplement and amendment shall be made to the laws as formulated by the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The NPC may authorize the Standing Committee of the NPC to enact relevant laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The People’s Congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provisions of the Constitution, laws, and administrative regulations.

The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization development, historical and cultural protection, and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provisions of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. Where the laws provide otherwise on the matters concerning the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts shall become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. The standing committees of the people’s congresses of the provinces or autonomous regions shall examine the legality of the local regulations submitted for approval. Such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people’s congresses of the provinces or autonomous regions, conflicts are identified with the rules

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and regulations of the people's governments of the provinces or autonomous regions concerned, a decision shall be made by the standing committees of the people's congresses of provinces or autonomous regions for resolution. The people's congresses of national autonomous areas shall have the power to formulate autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office of the PRC and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, as well as the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities divided into districts or autonomous prefectures may formulate their rules and regulations based on the laws, administrative regulations and local regulations of relevant provinces, autonomous regions and municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations and rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities with districts and autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or abrogate any inappropriate laws enacted by its standing committee, and to abrogate any autonomous regulations and separate regulations as approved by the Standing Committee of the NPC which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to abrogate any administrative regulations that contravene the Constitution or laws, to abrogate any local regulations that contravene the Constitution, laws or administrative regulations, and to abrogate any autonomous regulations and local regulations which have been approved by the Standing Committee of the NPC of the relevant provinces, autonomous regions or municipalities, but contravene the Constitution or the Legislation Law. The State Council has the power to alter or abrogate any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities have the power to alter or abrogate any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or abrogate any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution or the Legislation Law, the power to interpret the laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, if the scope prescribed by laws needs to be further defined or supplementary provisions need to be made, the Standing Committee of the NPC shall interpret them or make provisions. Issues involving the specific application of laws in the trial work of the court shall be interpreted by the Supreme People's Court. Issues involving the specific application of laws in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the Standing Committee of The National People's Congress for interpretation or decision. Issues that do not involve the specific application of laws in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. The State Council and its ministries and commissions are also vested with the power to give interpretation

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of the administrative regulations and ministerial rules which they have promulgated. At the regional level, the power to give interpretation of the local laws is vested in the regional legislative and administrative organs which promulgate such law.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People’s Courts (2018 Revision) (中華人民共和國人民法院組織法(2018年修訂)), the PRC judicial system is made up of the Supreme People’s Court, the local people’s courts at all levels, and the special people’s courts.

Local people’s courts are divided into primary people’s court, intermediate people’s court and high people’s court. High people’s courts supervise the primary and intermediate people’s courts. The people’s procuratorates also have the right to exercise legal supervision over the civil proceedings of people’s courts of the same level and lower levels. The Supreme People’s Court is the highest judicial organ in the PRC. It supervises the judicial work of the people’s courts at all levels.

A people’s court adopts the system in which the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a people’s court are final. A party may appeal against the judgment or ruling of the first instance of a local people’s court. The people’s procuratorate may present a protest to the people’s court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s court are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court, and judgments or rulings of the first instance of the Supreme People’s Court are final. However, if any errors are identified in a legally effective judgment, ruling or mediation statement of the people’s court at any level by the Supreme People’s Court, or if such errors are identified in a legally effective judgment, ruling or mediation statement of the people’s court at a lower level by the people’s court at a higher level, it has the authority to review the case itself or to refer to the people’s court at a lower level to conduct a retrial. If such errors are identified in a legally effective judgment, ruling or mediation statement by the chief judges of the people’s courts at all levels, and they consider a retrial is preferred, such case shall be submitted to the judicial committee of the people’s court at the same level for discussion and decision.

In according to the Civil Procedure Law of the PRC (2023 Revision) (中華人民共和國民事訴訟法(2023修正)) (hereinafter referred to as the “Civil Procedure Law”), all parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. The Civil Procedure Law prescribes the conditions for instituting a civil action, the jurisdiction of a people’s court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. A civil case is generally heard at the court located in the defendant’s place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people’s court having jurisdiction should be located at the place directly associated with the disputes, such as the plaintiff’s or the defendant’s place of domicile, the place where the contract is performed or signed or the place where the subject matter of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without a nationality, a foreign enterprise or organization is given the same litigation rights and obligations as a citizen and legal person of the PRC. Should a foreign court limit the litigation rights of a PRC citizen and enterprise, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or organization must engage a PRC lawyer if they need to engage a lawyer for the purpose of initiating an action or defending against litigation at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of

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reciprocity, a PRC people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence, and conduct other actions on its behalf. A PRC people’s court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or social and public interests of the PRC.

A party shall comply with a law-binding civil judgment or ruling, if any party to a civil action refuses to comply with a judgment or ruling made by a people’s court or an award made by an arbitration panel in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years. However, they may apply for an extension for the enforcement or revocation. If such party fails to satisfy a judgment as enforced and permitted by the court within the stipulated time, the court may, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people’s court against another party who is not personally or whose property is not within the PRC may apply to a foreign court with the jurisdiction over the case for recognition and enforcement of such judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by a PRC people’s court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination according to the principle of reciprocity, unless the people’s court believes that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or national security or against its social and public interests.

COMPANY LAW, TRIAL MEASURES OF OVERSEAS LISTING, AND GUIDELINES FOR ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company which is incorporated in the PRC and listed on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

According to the Company Law of the People’s Republic of China (2023 Amendment) (hereafter referred to as the “Company Law”), which was last amended on December 29, 2023 and came into force on July 1, 2024, limited liability companies and joint stock limited companies established within the territory of the PRC in accordance with the Company Law shall abide by the Company Law. The company is a corporate legal person with independent legal person properties and entitlements to such legal person properties. The company shall be liable for its debts with all its assets. Shareholders of limited liability companies shall be liable to the company to the extent of their subscribed capital contributions; shareholders of joint stock limited companies shall be liable to the company to the extent of their subscribed shares.

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of 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 “Trial Measures of Overseas Listing”) and relevant five guidelines, which came into force on March 31, 2023. The Trial Measures of Overseas Listing are designated in accordance with the Securities Law of the PRC and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities for trading. According to the Guidelines for the Applications of Regulatory Rules Overseas Issuance and Listing Category No. 1 (監管規則適用指引—境外發行上市類第1號) promulgated by the CSRC on February 17, 2023, direct overseas issuance and listing by domestic companies shall abide by the relevant provisions of the Trial Measures of Overseas Listing and refer to the Guidelines for Articles of Association of Listed Companies (2025 Revision) (上市公司章程指引(2025修正)) (the “Guidelines for Articles of Association of Listed Companies”) and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

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The Official Reply of the State Council on Adjusting the Application of Provisions to Matters Including the Notification Period for Convening Shareholders’ Meetings by Overseas Listed Companies (國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆) was promulgated by the State Council on October 17, 2019 and was implemented on the same date, pursuant to which, it was agreed that, for the companies registered in the PRC but listed overseas, the requirements on the notification period for convening a shareholders’ meeting, shareholders’ rights to proposal, and the convening procedures shall be collectively governed by the relevant provisions of the Company Law, and no longer be governed by Article 20 to 22 of the Special Regulations.

Below sets out a summary of the major provisions of the Company Law, the Trial Measures of Overseas Listing and the Guidelines for Articles of Association of Listed Companies:

General Provisions

A joint stock limited company refers to a corporate legal person incorporated in China under the Company Law with independent legal person properties and entitlements to such legal person properties. The company shall bear the responsibility for its debts with all its assets, and the shareholders of a joint stock limited company shall bear responsibilities to the company within the scope of the number of shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must have residence within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up.

If laws, administrative regulations and State Council decisions provide otherwise on paid-up registered capital and minimum registered capital, the company shall comply with such provisions. For companies established by way of promotion, the promoter shall fully recognize the shares to be issued at the time of the establishment of the company as stipulated in the articles of association.

Where companies are established by subscription, the shares subscribed for by the promoters shall not be less than 35% of the total number of shares of the company, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must announce a share offering document and prepare a share subscription form. Such offer shall be underwritten by security companies established according to law, with underwriting agreements to be entered into and agreements to be entered into with banks in relation to the receipt of subscription monies. After the shares for public offering of shares are paid in full, they shall be verified by a capital verification agency established in accordance with the law and issue a certificate. The promoters of a joint stock limited company to be established by subscription shall convene the inaugural meeting of the company within 30 days from the date of full payment of the shares to be issued at the time of the establishment of the company. If the shares to be issued at the time of the establishment of the company are not fully raised, or if the promoter does not convene the inaugural meeting within 30 days after the shares for the shares issued are fully paid, the subscriber may request the promoter to refund their subscriptions, plus the interest calculated based on the bank interest rate for the corresponding period. The board of directors shall authorize the representative to apply to the company registration authority for establishment and registration within 30 days after the conclusion of the company’s inaugural meeting.

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Share Capital

Shareholders may make capital contributions in cash, or non-monetary assets such as in kind, intellectual property rights, land use rights, equity, right of credit which can be appraised with monetary value and transferred lawfully, except for assets prohibited from capital contribution by laws and administrative regulations. For capital contributions made in non-monetary assets, a valuation of the assets contributed must be carried out for verification without any overvaluation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. For shares subscribed by subscriber, the same price shall be paid for each share. The share offering price may be equal to or greater than the nominal value of the share, but not less than the nominal value.

A company that seeks to offer and list securities in overseas markets, is required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Under the Company Law, a joint stock limited company shall make register of Shareholders and maintain a shareholder register which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) for stocks issued in paper form, the serial numbers of stocks; and (4) the date on which each shareholder acquired the shares.

Increase in Share Capital

Where a company issues new shares, resolutions shall be made at the shareholders’ meeting in respect of, among others, the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares, the class and amount of the new shares proposed to be issued to existing shareholders and if no-par shares are offered, the amount of proceeds from the issuance of new shares included in the registered capital.

To offer shares overseas, the domestic company shall file with the CSRC within three business days after submission of the application documents for offering and listing overseas.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law: (1) the company shall prepare a balance sheet and an inventory list of assets; (2) the reduction of registered capital must be approved by shareholders at the shareholders’ meeting; (3) the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the resolution approving the reduction being passed; (4) the creditors of the company may require the company to repay its debts or provide guarantees for the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if they fail to receive any notification; and (5) the company must apply to the company registration authorities for registration of such change.

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Repurchase of Shares

In accordance with the Company Law, a company shall not purchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company that holds its shares; (3) using shares for the employee stock ownership plan or as equity incentives; (4) a shareholder requesting the company to purchase its shares held by him/her since he/she objects to a resolution of the shareholders’ meeting on the combination or division of the company; (5) using shares for converting convertible corporate bonds issued by the company; and (6) it is necessary for a listed company to protect its corporate value and the rights and interests of shareholders. A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) above shall be subject to a resolution of the shareholders’ meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) above may, pursuant to the provisions of the articles of association or the authorization of the shareholders’ meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing the Company’s shares pursuant to the above provisions, the company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; under the circumstance set forth in item (2) or (4), transfer or cancel them within six months; or under the circumstance set forth in item (3), (5) or (6), hold an aggregate of no more than 10% of all the shares issued by the company and transfer or cancel them within three years.

Where a listed company acquires the shares of the Company, it shall perform the obligation of information disclosure in accordance with the Securities Law of the PRC. A listed company purchasing the Company’s shares under any of the circumstances set forth in items (3), (5) and (6) of this article shall carry out trading in a public and centralized manner.

The Company shall not accept its own shares as the subject of a pledge.

Transfer of Shares

Shares held by shareholders may be transferred according to law. Under the Company Law, Shares issued prior to the public offering of the company’s shares cannot be transferred within one year from the listing date of such shares on a stock exchange. The directors, supervisors and senior management of the company shall notify the company of their holding of shares therein and changes of their shareholdings. The shares transferable by them in each year of their tenures shall not exceed 25% of all their shares in the company. The shares in the company held by them are not transferable within one year from the date on which the company’s shares are listed. The shares in the company held by them shall not be transferred within six months after their departure from the company. The articles of association may set other restrictive requirements on the transfer of the company’s shares held by its directors, supervisors and senior management.

Shareholders

Under the Company Law, the rights of shareholders include: (1) to transfer their shares according to law; (2) to attend or appoint a proxy to attend and vote at shareholders’ meetings; (3) to inspect the articles of association, share register, minutes of shareholders’ meetings, board resolutions, resolutions of the supervisory committee and financial and accounting reports, and to make suggestions or inquiries in respect of the company’s operations; (4) to receive dividends in respect of the number of shares held; (5) to participate in the allocation of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and (6) any other shareholders’ rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

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The obligations of shareholders include the obligation to abide by the articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of his or her share subscriptions, not to abuse their shareholders' rights to harm the interests of the company or other shareholders, not to abuse the independent status of the legal person of the company and the limited liability of shareholders to harm the interest of any creditor and any other shareholder obligation specified in the articles of association.

Shareholders' Meetings

The shareholders' meeting is the organ of authority of the company that exercises its powers: (1) to elect and replace directors and supervisors, and to decide on the matters relating to the remuneration of directors and supervisors; (2) to consider and approve the reports of the board of directors; (3) to consider and approve the reports of the supervisory committee; (4) to consider and approve the company's profit distribution and loss recovery proposals; (5) to decide on any increase or reduction of the company's registered capital; (6) to decide on the issue of corporate bonds; (7) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (8) to amend the company's articles of association; and (9) to exercise any other authority stipulated in the articles of association.

A shareholders' meeting is required to be convened once every year within six months after the end of the preceding financial year. An extraordinary shareholders' meeting is required to be convened within two months of the occurrence of any of the following: (1) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association; (2) the total outstanding losses of the company amounts to one-third of the company's total share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary shareholders' meeting; (4) the board of directors deems necessary; (5) the supervisory committee proposes to convene a meeting; and (6) any other circumstances as provided for in the articles of association.

A shareholders' meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman cannot or does not perform his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman cannot or does not perform his/her duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors cannot or does not perform its duties to convene the shareholders' meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. If the supervisory committee fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 consecutive days or more may unilaterally convene and preside over a general meeting. Where a shareholder holding alone or shareholders holding in aggregate 10% or more of the shares of the corporation requests the holding of a special shareholders' meeting, the board of directors and the board of supervisors shall decide whether to hold a special shareholders' meeting within ten days of receipt of the request, and provide a written reply to the shareholder or shareholders.

In accordance with the Company Law, a notice of shareholders' meeting stating the date and venue thereof and the matters to be considered thereat shall be given to all shareholders 20 days before the meeting. A notice of extraordinary shareholders' meeting shall be given to all shareholders 15 days prior to the meeting. Shareholders who individually or in aggregate hold over 1% of the shares of the company may propose an interim proposal and submit it in writing to the board of directors 10 days before the shareholders' meeting is held. Any other matters to be approved through special resolutions must be adopted by shareholders (including proxies thereof) present at the meeting holding more than two-thirds of the voting rights.

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Board of Directors

The company shall have a board of directors. Board members may include employee representatives, who shall be democratically elected by the company's employees at an employee representative assembly, general employee meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall exceed three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations and the articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors is accountable to the shareholders' meeting and may exercise the following functions and powers: (1) to convene the shareholders' meeting and report to the shareholders' meeting; (2) to implement resolutions of the shareholders' meeting; (3) to decide on the company's business plans and investment plans; (4) to formulate the company's profit distribution plans and plans on making up losses; (5) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds; (6) to formulate plans for merger, division or dissolution or change of corporate form of the company; (7) to decide on establishment of internal management organs of the company; (8) to decide on the appointment or dismissal of the company's manager and his/her remuneration and, based on the manager's nomination, to decide on the appointment or dismissal of any deputy manager and chief financial officer of the company and their remuneration; (9) to formulate the basic management system of the company; and (10) to exercise any other functions and powers provided for the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notices of such meetings shall be given to all directors and supervisors 10 days before the meetings convened. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory committee. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

The board of directors shall prepare minutes of the meetings of the board of directors and such minutes shall be signed by the directors present at the meeting. The directors shall be responsible for resolutions adopted by the board of directors. The directors adopting a resolution that contravenes laws, administrative regulations, the articles of association or resolutions of the shareholders' meeting and results in severe losses to the company shall be liable to the company for compensation. However, a director may be exempt from such liability with the proof that he/she has expressed a disagreement which has been recorded in the minutes of the meeting.

Under the Company Law, none of the following persons may serve as directors of the company: (1) persons without capacity or with limited capacity for civil acts; (2) persons who were sentenced for corruption, bribery, encroachment or embezzlement of properties or disruption of social or economic order, or persons who were deprived of political rights for committing a crime, and in each case, where five years have not lapsed following the serving of the sentence; (3) directors, factory heads or managers who bear individual responsibility for the bankruptcy or liquidation of their companies or enterprises

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where three years have not lapsed following the date of completion of such bankruptcy or liquidation; (4) the legal representatives of companies or enterprises that had their business licenses revoked and ordered to be closed for violation of the law, where such representatives bear individual responsibility and three years have not lapsed following the date of revocation of such business licenses; and (5) persons with relatively significant individual debts that have not been settled upon maturity. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

In addition, the Guidelines for Articles of Association of Listed Companies further stipulates other circumstances under which a person is disqualified from acting as a director of a company, including: (1) a person who has been banned from the securities market by the CSRC where the relevant period remains unexpired; (2) the stock exchange has publicly determined that it is not suitable to serve as a director or senior manager of a listed company, and the time limit has not expired; or (3) a person who is banned from doing so in accordance with other laws, administrative regulations or departmental rules.

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties.

Supervisory Committee

The company shall have a supervisory committee composed of more than three members. The supervisory committee shall consist of shareholder representatives and an appropriate proportion of employee representatives of the company, with the proportion of such employee representatives no less than one-third subject to the articles of association. Employee representatives of the company at the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, general employee meeting or otherwise.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee shall be elected by more than half of the supervisors. The directors and senior management may not act concurrently as supervisors.

The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the chairman of the supervisory committee cannot or does not perform his/her duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the vice chairman of the supervisory committee cannot or does not perform his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with laws, administrative regulations and the articles of association until a re-elected supervisor takes office, if the re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory committee exercises the following functions and powers: (1) to review the company's financial position; (2) to supervise the performance by the directors and senior management of their duties to the company and propose the dismissal of the directors and senior management who violates laws, administrative regulations, the articles of association or the resolutions of shareholders' meetings; (3) demand rectification from the directors and senior management when such persons are harmful to the

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company’s interests; (4) to propose the convening of extraordinary general meetings; to convene and preside the shareholders’ meeting in the event that the board of directors fails to perform its duties to convene and preside the shareholders’ meeting in accordance with the Law; (5) to submit proposals to the shareholders’ meeting; (6) to file lawsuits against directors and senior management in accordance with the relevant provisions of the Company Law; and (7) to exercise any other functions and powers provided for in the articles of association.

Supervisors may be present at the meetings of the board of directors and make inquiries or proposals in respect of the resolutions of the board of directors. The supervisory committee may investigate any irregularities identified in the operation of the company and, when necessary, engage an accounting firm to assist its work at the expense of the company.

Manager and Senior Management

Under the relevant provisions of the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, under the Guidelines for Articles of Association of Listed Companies, the manager shall be accountable to the board of directors and may exercise the following functions and powers: (1) to be in charge of the production, operation and management of the company and to organize the implementation of the resolutions of the board of directors; (2) to organize the implementation of the company’s annual business plans and investment plans; (3) to formulate draft plans for the establishment of the company’s internal management organization; (4) to draft the company’s basic management system; (5) to formulate the basic rules and regulations of the company; (6) to propose on the appointment or dismissal of any deputy manager and chief financial officer of the company; (7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and (8) to exercise any other functions and powers conferred by the articles of association and the board of directors.

The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Under the Company Law, directors, supervisors and senior management shall comply with relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from embezzling the company’s property.

In addition, directors, supervisors and senior management shall not: (1) embezzle any property or misappropriate any funds of the company; (2) deposit any funds of the company in an account opened in his or her own name or in the name of any other individual; (3) commit bribery or accept any other illegal revenue by taking advantage of his or her powers; (4) accept and pocket commissions on transactions between others and the company; (5) illegally disclose any confidential information of the company; and (6) otherwise violate the duty of loyalty to the company. Income generated by directors, supervisors or senior management in violation of the aforementioned shall be returned to the company.

A director, supervisor or senior management member who contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

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Where a director, supervisor or senior management member is required to attend a shareholders' meeting, such director, supervisor or senior management member shall attend the meeting and answer inquiries from shareholders. Directors and senior management shall furnish relevant situations and information to the supervisory committee in a truthful manner, without impeding the discharge of duties by the supervisory committee.

Where a director or senior management member contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares for at least 180 consecutive days may request in writing that the supervisory committee institute litigation at a people's court on its behalf. Where the supervisor violates laws or administrative regulations or the articles of association in the discharge of his/her duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory committee or the board of directors refuses to institute litigation after receiving the written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in the event of an emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in his/her/their own name for the company's benefit. For other parties who infringe on the legitimate interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the above provisions. Where a director or senior management member contravenes any laws, administrative regulations or the articles of association in infringement on shareholders' interests, a shareholder may also institute litigation at a people's court.

The Guidelines for Articles of Association of Listed Companies provide that a company's directors, supervisors, managers and other senior management shall have the duty of loyalty and due diligence to the company. They shall faithfully perform their duties and protect the interests of the company without using their positions in the company for their own benefits.

Finance and Accounting

Under the Company Law, the company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of competent financial authorities of the State Council. At the end of each accounting year, the company shall prepare a financial report audited by an accounting firm in accordance with laws. The company's financial and accounting reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual shareholders' meeting. A joint stock limited company that makes public stock offerings shall publish its financial and accounting reports.

When distributing profits after taxation of the year, the company shall set aside 10% of its profits for the company's statutory reserve until the fund has reached 50% or more of the company's registered capital. When the company's statutory reserve is not sufficient to make up for the company's losses for the previous years, the profits of the current year shall first be used to cover the losses before any allocation is set aside for the statutory reserve pursuant to the preceding provision. After making allocations to the statutory reserve from its profits after taxation, the Company may, upon passing a resolution at a shareholders' meeting or general meeting, make further allocations from its profits after taxation to the discretionary reserve. After the company covers its losses and makes allocations to its discretionary reserve, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by the company in violation of the preceding requirements must be returned to the company. The company shall not distribute any profits in respect of the shares held by it.

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The premium received through issuance of shares of the company at prices above par value and other incomes required by the financial authorities of the State Council to be allocated to capital reserve shall be allocated to the company’s capital reserve. The company’s capital reserve fund are used to make up for the company’s losses, to expand the company’s production and operations, or to increase the company’s registered capital. The capital reserve fund, however, shall not be used to make up the company’s losses. Upon the conversion of statutory reserve into capital, the balance of the statutory reserve shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the shareholders’ meeting, board of directors or supervisory committee in accordance with the provisions of the articles of association. The accounting firm should be allowed to make representations when the shareholders’ meeting, board of directors or supervisory committee of the company conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it engages, without any refusal, withholding or misrepresentation.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to the Articles of Association

According to the Company Law, a resolution at a shareholders’ meeting to amend a company’s articles of association shall be passed by more than two-thirds of the shareholders with voting rights who attend the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the articles of association approved by the resolution of the shareholders’ meeting are subject to the approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registration shall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

Dissolution and Liquidation

According to the Company Law, a company may dissolve as a result of the following reasons: (1) the expiry of term of its operations set out in the articles of association, or the occurrence of other events of dissolution specified in the articles of association; (2) it is resolved in a shareholders’ meeting that the company shall dissolve; (3) the company is dissolved by reason of a merger or division; (4) the business license is suspended or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by a people’s court in response to the request of shareholders holding shares that represent more than 10% of the voting rights, on the grounds that the company suffers from significant hardship in its operation and the management that cannot be resolved through other means, and the ongoing existence of the company will bring significant losses to the shareholders.

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In the event of the circumstance described in (1) and (2) above, provided that the company has not yet distributed its assets to shareholders, the company may carry on its existence by amending its articles of association or passing the resolution of shareholder's meeting. Amendments to the articles of association in accordance with the provisions set out above shall be passed by more than two-thirds of the shareholders with voting rights who attend the shareholders' meeting. Where the company is dissolved in the circumstances described in (1), (2), (4), or (5) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days upon the occurrence of an event of dissolution. The liquidation committee shall be composed of the directors or the personnel appointed at the shareholders' meeting. If a liquidation committee is not established to conduct liquidation within the stipulated period, or doesn't liquidate after the establishment, interested party may apply to a people's court and request the court to appoint relevant personnel to form a liquidation committee. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

A liquidation committee may exercise the following powers during the liquidation period: (1) to dispose of the company's assets and to prepare a balance sheet and an inventory of the assets; (2) to notify the company's creditors through notice or announcement; (3) to handle the company's outstanding businesses related to liquidation; (4) to settle all tax overdue as well as tax amounts arising from the process of liquidation; (5) to settle credits and pay off debts; (6) to distribute the company's remaining assets after settling its debts; and (7) to represent the company in a civil lawsuit.

The liquidation committee shall notify the company's creditors within 10 days upon its establishment and publish an announcement on newspapers or the National Enterprise Credit Information Publicity System within 60 days. A creditor shall file his/her/its claim with the liquidation committee within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if he/she/it has not received any notification. A creditor shall state all matters related to his/her/its creditor rights in making his/her/its claim and furnish evidence. The liquidation committee shall register such creditor's claims. The liquidation committee shall not make any debt settlement with the creditors during the period of the claim.

Upon disposal of the company's assets and preparation of the balance sheet and inventory list of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' meeting or the people's court for verification. The company's remaining assets, after payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders according to the proportion of their shareholding. The company shall continue to exist during the liquidation period, it however cannot commence any operating activities that are not related to the liquidation. The company's assets shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's assets, and preparation of the balance sheet and inventory list of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for bankruptcy liquidation in accordance with the laws. After the people's court accepts the bankruptcy application, the liquidation committee shall hand over liquidation affairs to the administrator designated by the people's court.

Upon completion of the liquidation of the company, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' meeting or the people's court for verification. It shall also file with a company registration authority for deregistration of the company. If losses are caused to the Company or creditors due to intent or gross negligence, such member shall be liable for compensation.

In addition, a company which has declared bankrupt in accordance with the laws shall be subject to liquidation of bankruptcy in accordance with the laws on corporate bankruptcy.

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Loss of Share Certificates

If a shareholder’s share certificate(s) is stolen, lost, or destroyed, he/she/it may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people’s court for declaration that such certificate(s) will no longer be valid. After the people’s court declares that such certificate(s) is no longer valid, the shareholder may apply to the company for issue of a replacement certificate(s).

Merger and Division

According to the Company Law, in the case of a merger, a merger agreement shall be signed by all parties, and they shall prepare their balance sheets and inventory list of assets. The company shall notify its creditors within 10 days upon the date of passing of the resolution which approves the merger, and announce the merger on a newspaper within 30 days. A creditor may request the company to settle any outstanding debts or provide guarantees accordingly within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if he/she/it have not received any notification. Where companies merge, the credits and debts of the merging parties shall be assumed by the surviving company or the new company upon merging.

In case of a division, the company’s assets shall be divided accordingly. The debts of the company which have accrued prior to the division shall be jointly borne by the divided companies, unless it is otherwise agreed by way of an agreement in writing with the creditors in respect of the settlement of debts before the company’s division.

Changes in registration as a result of a merger or division shall be completed with a relevant registration authority in accordance with the laws. Where a company is dissolved or a new company is established, such company deregistration or registration shall be completed respectively in accordance with the laws.

Overseas Listing

Pursuant to the Trial Measures of Overseas Listing, both initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Moreover, where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within twenty business days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC’s website. Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplement and amendment thereto within five business days after receiving the filing documents. The issuer shall then complete the supplement and amendment within thirty business days.

SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a series of regulations in relation to issuance and trading of a company’s shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC, and administering the CSRC.

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Pursuant to the Securities Law of the People’s Republic of China (2019 Revision) (中華人民共和國證券法(2019修訂)) (the “Securities Law”), this law shall apply to the offerings of and trading in stocks, corporate bonds, depositary receipts, and other securities recognized in accordance with the laws by the State Council within the territory of the People’s Republic of China; and matters not included in this law shall be governed by the provisions of the Company Law and other relevant laws and administrative regulations. Where any offering of or trading in securities outside the People’s Republic of China disrupts the order of the domestic market of the People’s Republic of China and impair the legitimate rights and interests of domestic investors, it shall be handled, and the violators shall be legally liable therefor, according to the applicable provisions of the Securities Law.

The Securities Law is the first national securities law in the PRC to fully regulate the activities in securities market in the PRC. It is divided into 14 chapters and 226 articles covering the issuance and trading of securities, the takeovers of listed companies, and the duties and responsibilities of stock exchanges, securities companies, securities registration and clearing institutions, and securities regulatory and administration authorities. Article 224 of the Securities Law provides that where a domestic enterprise directly or indirectly offers securities abroad or has its securities listed and traded abroad, the relevant provisions issued by the State Council shall be complied with. Currently, the issuance and trading of shares (including H Shares) outside the PRC are governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF AN ARBITRAL AWARD

Pursuant to the Arbitration Law of the People’s Republic of China (2017 Revision) (中華人民共和國仲裁法(2017修正)) (the “Arbitration Law”), the Arbitration Law is applicable to the disputes relating to contracts and other properties in which the involved parties have entered into a written agreement to resolve the disputes by arbitration of an arbitration committee constituted in accordance with the Arbitration Law. The Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have reached an arbitration agreement, a people’s court will refuse to handle a legal proceeding initiated by one party made to such people’s court, unless the arbitration agreement is invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award shall be final. Once an arbitral award is made, an arbitration committee or a people’s court will refuse to accept the application for arbitration or prosecution filed to the people’s court by a party regarding the same dispute. If either party fails to comply with the arbitral award, the other party to the award may apply to the people’s court to enforce such arbitration award. However, the people’s court may refuse to enforce an arbitral award made by the arbitration committee if there is a violation of laws in the arbitration of procedures, including but not limited to the violation in the composition of the arbitration tribunal, or the fact that matter of arbitration does not fall into the scope of the arbitration agreement, or the fact that the arbitration committee is not entitled to carry out the arbitration.

Significant Differences in Certain Aspects of Company Law Between China and Hong Kong

Hong Kong company law is primarily contained in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by the common law and rules of equity applicable in Hong Kong. As a joint stock limited company incorporated in the PRC and seeking to list its shares on the Hong Kong Stock Exchange, we are subject to the Company Law and all other rules and regulations promulgated thereunder. The following is a summary of certain significant differences between the Hong Kong company law and the Company Law (which applies to joint stock limited companies incorporated under the Company Law). However, the comparisons to be made in this summary are not exhaustive.

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Company’s Survival

Under Hong Kong company law, a company with a share capital is required to be incorporated with the Registrar of Companies in Hong Kong, who will issue a Certificate of Incorporation to the company upon its incorporation and the company will thereafter be able to continue as a separate company. A company can be incorporated as a public company or a private company. Under the Hong Kong Companies Ordinance, the articles of association of a private company incorporated in Hong Kong must contain certain pre-emptive rights provisions. The articles of association of a public company are not required to contain such pre-emptive rights provisions.

Under the Company Law, a joint stock limited company may be incorporated either by way of promotion or by way of fund-raising.

Capital Stock

Under the Hong Kong Companies Ordinance, the concept of nominal value of shares (also known as par value) of a Hong Kong company has been abolished and a company has more flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalization of profits; (iii) allotment and issue of bonus shares with or without an increase in its share capital; (iv) increasing or decreasing the number of shares; and (v) cancellation of shares. The concept of authorized capital is also no longer applicable to Hong Kong companies incorporated on or after March 3, 2014. As a result, the directors of a Hong Kong company may, with the prior approval of the shareholders (if required), arrange for the company to issue new shares. The Company Law is silent on authorized share capital. Any increase in the registered capital of a PRC company must be approved by the shareholders’ meeting and by the relevant PRC governmental and regulatory authorities (if applicable).

According to the Company Law, there is no minimum registered capital requirement for a joint stock company, but where laws, administrative regulations and decisions of the State Council provide otherwise in respect of paid-up capital and minimum registered capital for a joint stock company, such provisions shall apply. The Companies Ordinance does not contain any minimum share capital requirement for companies incorporated in Hong Kong.

Under the Company Law, shares may be subscribed in the form of monetary or non-monetary assets (except for assets that are not entitled to be used as capital contributions under relevant laws or administrative regulations). Non-monetary assets used as capital contributions must be appraised to ensure that they are not overvalued or undervalued. Where laws or administrative regulations provide for valuation, they shall apply. Companies incorporated in Hong Kong are not subject to the above restrictions.

Restrictions on Shareholding and Transfer of Shares

Generally speaking, overseas listed shares denominated in RMB but subscribed in currencies other than RMB can only be subscribed for and traded by investors from Hong Kong, Macau Special Administrative Region and Taiwan, or from any country or region outside the PRC, or by qualified domestic institutional investors. If the H Shares are eligible securities under the Hong Kong Stock Connect, they can also be subscribed for and traded by PRC investors in accordance with the rules and limits of the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Subject to the application for full circulation complying with the relevant requirements of the CSRC and the filing of the application with the CSRC, the domestic unlisted shares of the H-share listed company may be listed and circulated on the Hong Kong Stock Exchange upon conversion into H-shares. Pursuant to the Company Law, shares issued before the public offering of the company shall not be transferred

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within one year from the date of listing and trading of the company’s shares on the stock exchange. The shares held by directors, supervisors and senior management of a joint stock limited company and the shares transferred annually during their tenure of office shall not exceed 25% of the total number of shares of the company held by them, and the shares of the company held by them shall not be transferred within one year from the date of listing and trading of the company’s shares. The shares of the company held by the above mentioned persons may not be transferred within six months after their departure from office. The articles of association may impose other restrictive provisions on the transfer of the company’s shares held by the company’s directors, supervisors and senior management.

There are no restrictions under the laws of Hong Kong on shareholdings and transfer of shares other than the restriction on the Company to issue further shares within six months of the full circulation.

Financial Assistance for the Purchase of Shares

According to the Guidelines on the Articles of Association of Listed Companies, a listed company and any of its subsidiaries (including affiliates of the listed company) are not allowed to provide any support in any form, such as donations, advances, guarantees, subsidies or loans, to any purchaser or prospective purchaser of the company’s shares.

Notice of Shareholders’ Meeting

Pursuant to the Company Law, the notice of the annual shareholders’ meeting must be given not less than 20 days prior to the date of the meeting. Pursuant to the State Council’s Approval on Adjusting the Provisions Applicable to the Notice Period and Other Matters for Holding Shareholders’ Meetings of Companies Listed in Outside the PRC issued by the State Council on October 17, 2019, for a joint stock limited company incorporated in the PRC but listed outside the PRC, the notice period for shareholders’ meetings, shareholders’ right to make proposals, and the procedures for convening a shareholders’ meeting shall be governed by the Company Law.

For limited companies incorporated in Hong Kong, the minimum notice period for a shareholders’ meeting is fourteen (14) days. In addition, if the meeting involves the consideration of a resolution that requires special notice, the company is also required to give notice of the resolution to the shareholders at least fourteen (14) days before the meeting. The notice period for the annual shareholders’ meeting is twenty one (21) days.

Quorum for Shareholders’ Meeting

The Company Law does not have any requirement for a quorum for shareholders’ meeting.

Under the laws of Hong Kong, unless otherwise provided in the company’s articles of association, the quorum for a shareholders’ meeting shall be two shareholders, except where the company has only one shareholder, in which case the quorum shall be one shareholder.

Voting Rights at Shareholders’ Meeting

Pursuant to the Company Law, the passing of any resolution shall require the affirmative vote of a majority of the shareholders present in person or by proxy at the shareholders’ meeting, except that the proposal to amend the articles of association, increase or decrease the registered capital, merge, demerge, dissolve or change the form of the company shall require the affirmative vote of at least two-thirds of the shareholders present in person or by proxy at the shareholders’ meeting.

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Under the laws of Hong Kong, ordinary resolutions are passed by a simple majority of the votes cast in favor of such resolutions by shareholders present in person or by proxy at general meetings, and special resolutions are passed by not less than three-quarters of the votes cast in favor of such resolutions by shareholders present in person or by proxy at general meetings.

Changes in Rights of Classes of Shareholders

The Company Law does not make special provisions for changes in the rights of classes of shareholders. However, the Company Law provides that the State Council may promulgate regulations concerning other classes of shares.

Under the Hong Kong Companies Ordinance, the rights attached to any class of shares may not be varied except (i) with the sanction of a special resolution passed by the shareholders of the relevant class at a separately convened meeting; (ii) with the consent in writing of shareholders representing at least three-fourths in number of the total voting rights of the shareholders of the relevant class; or (iii) if the articles of association contain provisions relating to the variation of the said rights.

Derivative Actions by Minority Shareholders

Under Hong Kong company law, a minority shareholder may bring a derivative action against a director for misconduct against the company if the director controls a majority of the voting power at a general meeting of shareholders which effectively prevents the company from suing the director in its own name for misconduct against the company.

According to the Company Law, when the directors and senior management of a joint stock limited company violate the provisions of laws, administrative regulations or the articles of association and cause losses to the company, shareholders who individually or collectively hold more than 1% of the company’s shares for a period of more than 180 consecutive days may request the supervisory board in writing to file a lawsuit to the People’s Court, and when the supervisory board violates the aforesaid provisions and causes losses to the company, the aforesaid shareholders may request the board of directors in writing to bring a lawsuit to the People’s Court. If the supervisory committee or the board of directors refuses to file a lawsuit after receiving the written request from the aforesaid shareholders or fails to file a lawsuit within 30 days from the date of receipt of the request, or if the situation is so urgent that failure to file a lawsuit immediately may cause the company to suffer irreparable damages, the aforesaid shareholders shall have the right to file a lawsuit directly to the court in their own name for the benefit of the company.

In addition, the Guidelines on the Articles of Association of Listed Companies provide for other remedies in the event of a breach by the Directors, Supervisors and senior management of their duties to the Company.

Protection of Minority Shareholder

Under the Hong Kong Companies Ordinance, a shareholder who alleges that the affairs of a company incorporated in Hong Kong have been conducted in a manner unfairly prejudicial to his interests may petition the court for an appropriate order to remedy the unfair prejudice. In addition, on the application of a specified number of shareholders, the Financial Secretary of Hong Kong may appoint inspectors and give them full statutory powers to investigate the affairs of companies incorporated or registered in Hong Kong.

Pursuant to the Company Law, any shareholder holding 10% or more of the voting rights in the company’s may request the People’s Court to dissolve the company if the company experiences serious difficulties in its business management and its continued existence would result in significant losses to the interests of the shareholders, and if there is not yet any other way to resolve such difficulties.

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Pursuant to the Guidelines on the Articles of Association of Listed Companies, which the Company has adopted in its Articles of Association with effect from the date of listing on the Hong Kong Stock Exchange, the controlling shareholders and ultimate controllers of the company are prohibited from abusing their connectedness to the detriment of the company’s interests. Any loss caused to the company as a result of the breach of the above provision shall be compensated. In addition, the controlling shareholders and ultimate controllers of the company have a duty of care to the company and the shareholders of the listed company. The controlling shareholders shall exercise their investor rights in strict accordance with the law and shall not damage the legitimate interests of the Company or the shareholders of the listed company by any means such as non-fair connected transactions, profit distribution, asset reorganization, foreign investment or any other means, and shall not abuse their controlling position to the detriment of the interests of the company or the shareholders of the listed company.

Board Member

Unlike the Hong Kong Companies Ordinance, the Company Law does not require directors to disclose their interests in material contracts; it does not restrict the power of directors to make material dispositions; it does not restrict companies from providing certain benefits to directors and guaranteeing directors’ liabilities; and it does not prohibit compensation for loss of office without shareholders’ approval. However, the Guidelines on the Articles of Association of Listed Companies contains certain provisions and limitations relating to material disposals and sets out the circumstances in which directors are liable.

Supervisory Boards

Under the Company Law, the directors and senior management of a joint stock limited company are subject to the supervision of a supervisory board. The establishment of a supervisory board is not mandatory for companies incorporated in Hong Kong.

Fiduciary Duties

In Hong Kong, directors owe a fiduciary duty to the company, including a duty not to act in conflict with the interests of the company. In addition, the Companies Ordinance has codified the directors’ statutory duty of care.

According to the Guidelines on the Articles of Association of Listed Companies, directors, supervisors, managers and other senior management of the company are required to perform their duties for the company honestly and diligently.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make its financial report available for inspection by its shareholders 20 days prior to the annual shareholders’ meeting. In addition, a joint stock limited company with a public float is required to publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send copies of its financial statements, auditor’s report and board of directors’ report to be laid before the company at its annual general meeting not less than 21 days before the meeting.

Under PRC law, a joint stock limited company is required to prepare a financial accounting report as at the end of each financial year and submit it to an accounting firm for audit in accordance with the law. It is a mandatory requirement that, in addition to preparing financial statements in accordance with PRC accounting standards and regulations, the company must also prepare and audit its financial

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

statements in accordance with International Accounting Standards (IAS) or Hong Kong Accounting Standards (HKAS), and that its financial statements must contain a statement of the financial effect of material differences, if any, from the financial statements prepared in accordance with PRC accounting standards.

Directors’ and Shareholders’ Information

The Company Law entitle shareholders the right to inspect a company’s articles of association, minutes of shareholders’ meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory board and financial and accounting reports. Under the Articles of Association, shareholders are entitled to inspect and make copies (subject to the payment of a reasonable fee) of certain information relating to the shareholders and directors, which are similar to the rights granted to shareholders of Hong Kong companies under the Hong Kong Companies Ordinance.

Company Reorganization

A company incorporated in Hong Kong may be reorganized in a number of ways, such as by transferring the whole or part of the company’s business or property to another company on voluntary winding up under Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or by entering into a compromise or arrangement for repayment of debts between the company and its creditors or between the company and its shareholders, subject to the court’s approval, and pursuant to Section 673 and Division 2 of Part 13 of the Hong Kong Companies Ordinance, which requires the sanction of the court. In addition, wholly-owned subsidiaries of the Group may also merge horizontally or vertically under the Hong Kong Companies Ordinance with the approval of the shareholders.

According to the Company Law, the merger, demerger, dissolution or change of corporate form of a joint stock limited company shall be approved by shareholders representing more than two-thirds of the voting rights at the shareholders’ meeting.

Special Drawing Rights (SDR)

Under the Company Law, a company is required to set aside a certain prescribed percentage of its profit as a legal reserve after distributing its profit after tax for the year.

There is no corresponding provision in the laws of Hong Kong.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management can be resolved through the courts. The Company Law provides that shareholders may sue in the People’s Court if directors or senior management violate laws, administrative regulations or the articles of association of the company and infringe upon the interests of the shareholders.

The HKIAC Securities Arbitration Rules provide for the arbitral tribunal to hear cases involving companies incorporated in China but listed on the Hong Kong Stock Exchange in Shenzhen, upon application by any party, to enable Chinese parties and witnesses to attend. The arbitral tribunal may order a hearing in Shenzhen if any party applies for such a hearing and the arbitral tribunal is satisfied that the application is made in good faith and that all parties (including the witnesses and arbitrators) have access to Shenzhen to attend the hearing. If the Chinese Party or any of its witnesses or any person other than the arbitrators is not allowed to enter Shenzhen, the tribunal shall order that the hearing be conducted by any practicable means, including the use of electronic media. For the purposes of the HKIAC Securities Arbitration Rules, a Chinese party means a person who is resident in the PRC (excluding Hong Kong, Macau and Taiwan).

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Corporate Remedies

Pursuant to the Company Law, if a director, supervisor or member of senior management violates any law, administrative regulation or the Company’s bylaws of the articles of association in the course of performing his or her duties and causes damage to the Company, such director, supervisor or member of senior management shall be liable to the Company for such damage.

The Listing Rules require the articles of association of listed companies to contain corporate remedies similar to those provided for under the laws of Hong Kong (including termination of relevant contracts and recovery of profits from directors, supervisors or senior management).

Dividend

Pursuant to the relevant PRC laws and regulations, the Company is required under certain circumstances to withhold from any dividends or other distributions payable to the Shareholders any tax payable by it to the relevant tax authorities in accordance with the PRC laws.

Under Hong Kong laws, the statute of limitations for the recovery of debts, including the recovery of declared dividends, is six years and under PRC laws, the relevant statute of limitations is three years. The Company may not exercise its right to forfeit any unclaimed dividend before the expiry of the applicable limitation period.

Suspension of the Register of Shareholders

The Companies Ordinance provides that the register of shareholders of a company shall be closed for the registration of transfers of shares for a period not exceeding thirty days in a year (which may be extended to sixty days in certain circumstances).

No transfer of shares may be registered within thirty days prior to the date of the shareholders’ meeting at held or within five days prior to the base date for the distribution of dividends in accordance with the provisions of the PRC Company Law.

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SHARES AND REGISTERED CAPITAL

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank pari passu with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any subscriber.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

According to the operation and development needs of the Company, subject to the laws, regulations and the Articles of Association, the Company may increase the capital by the following ways upon approval of special resolutions at the Shareholders' general meeting:

- (1) public issuance of shares;
- (2) non-public issuance of shares;
- (3) distribution of bonus shares to existing shareholders;
- (4) capitalization of common reverse fund;
- (5) other means stipulated by laws and administrative regulations or approved by the Securities regulatory authorities, stock exchanges and other relevant regulatory agencies of the place where the Company's shares are listed.

The Shareholders' general meeting may authorize the Board of Directors to decide to within three years issue not exceeding 50% of the issued shares. However, a resolution of the shareholders' general meeting shall be required in the case of capital contributions in the form of non-monetary property.

If the Articles of Association or the Shareholders' general meeting authorises the Board of Directors to decide on the issuance of new shares, the resolution of the Board of Directors shall be adopted by at least two thirds of all the directors.

Repurchase of Shares

Company shall not to repurchase its own shares, unless otherwise under the circumstances:

- (1) reducing the Company's registered capital;
- (2) merging with other companies holding our shares;
- (3) using the shares as an employee stock ownership plan or equity incentive plan;
- (4) purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a Shareholders' general meeting upon their request;
- (5) use of shares for conversion of convertible corporate bonds issued by the Company;

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- (6) necessary for the Company to maintain its value and protect the interests of the shareholders;
- (7) other circumstances permitted by laws, administrative regulations, securities regulatory rules of the place where the Company’s shares are listed.

A resolution shall be passed at the Shareholders’ general meeting when the Company is to repurchase its own shares under the circumstances (1) and (2) set out above. In case of the circumstances stipulated in (3), (5), and (6) above, a resolution of the Company’s Board shall be passed by at least two-thirds of the Directors attending the Board meeting subject to the Articles of Association or the authorization of the Shareholders’ general meeting. After the Company has repurchased its own shares in accordance with the circumstances (1) to (6) set out above, the shares so repurchased shall be canceled within ten days from the date of purchase (under the circumstance set out in (1) above), or shall be transferred or canceled within six months (under the circumstances set out in (2) and (4) above). If the Company repurchases its shares under the circumstances set out in (3), (5) and (6) above, the total number of shares held by the Company shall not exceed ten percent of the total issued shares of the Company, and such shares shall be transferred or canceled within three years.

Subject to the approval by the relevant competent authorities of the State, the Company may repurchase its shares in one of the following ways:

- (1) open centralized trading;
- (2) other ways recognized by laws, administrative regulations, the CSRC and other stock exchanges of the place where the Company’s shares are listed, and shall comply with the provisions of applicable laws, administrative regulations, departmental rules and securities regulatory rules of the place where the Company’s shares are listed.

In case of the circumstances stipulated in (3), (5), and (6) above, the Company shall repurchase its shares in open centralized trading.

After the acquisition of the Company’s shares, the Company shall fulfill its disclosure obligations in accordance with laws, administrative regulations, rules, normative documents, the Hong Kong Listing Rules and other relevant provisions.

Transfer of Shares

Shares issued prior to the public offering of the Company’s may not be transferred within one year from the date on which the shares of Company are listed and traded on the stock exchange(s). The Directors and senior management of the Company shall notify the Company of their holdings of shares in the Company and the changes therein. The annual transfer of shares during the term of office as determined at the time of their assumption of office shall not exceed 25% of their total holdings of shares of the same class of the Company. The shares of the Company held by them shall not be transferred within one year from the date on which the Company’s shares are listed on the stock exchange. The shares in the Company held by them shall not be transferred within half a year from their departure from the Company. Where the listing rules of the place where the Company’s shares are listed provide otherwise in respect of the restrictions on the transfer of overseas listed shares, such rules shall prevail. If the shares are pledged within the restricted transfer period stipulated by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted transfer period.

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SHAREHOLDERS AND SHAREHOLDERS’ GENERAL MEETINGS

Shareholders

The Company shall establish a register of Shareholders based on the certificates provided by the securities registration authority and the register of Shareholders is sufficient evidence to prove that the Shareholders hold the shares of the Company. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

Shareholders of the Company enjoy the following rights:

- (1) to receive dividends and other forms of interest distributions in proportion to the shares they hold;
- (2) to file a petition of, to convene, hold and attend the Shareholders’ general meetings either in person or by proxy and exercise their corresponding voting rights according to laws, unless individual shareholders are required by the Hong Kong Listing Rules to waive their voting rights in respect of individual matters;
- (3) to supervise, present suggestions on or make inquiries about the business operations of the Company;
- (4) to transfer, donate or pledge their shares in accordance with laws, administrative regulations and the Articles of Association;
- (5) to inspect and copy the Articles of Association, register of Shareholders, minutes of Shareholders’ general meetings, resolutions of the Board meetings, financial and accounting reports;
- (6) to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;
- (7) to request the Company to purchase their shares for the Shareholders who object to the Company’s resolution on merger or division made by the Shareholders’ general meetings; and
- (8) the shareholders who individually or collectively hold 3% or more of the Company’s Shares for 180 consecutive days or more may inspect the accounting books and vouchers of the Company;
- (9) to enjoy other rights stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

In the event that any resolution of the Shareholders’ general meeting or resolution of the Board of Directors violates laws or administrative regulations, the Shareholder is entitled to request the People’s Court to deem it as invalid. In the event that the convening procedure or voting method of the Shareholders’ general meeting or the Board meeting violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the Shareholder is entitled to request the People’s Court to overturn the resolution within 60 days upon the resolution was adopted, except where there are only some minor defects in the convening procedures or the voting method of the Shareholders’ general meeting or the Board of Directors, which do not materially affect the resolution.

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Any shareholders who have not been notified to attend the Shareholders' general meeting may, within 60 days as of the date when they know or ought to know that the resolution of the Shareholders' general meeting had been made, request the people's court to overturn the resolution. If the right has not been exercised within one year as of the date when the resolution was made, it shall be extinguished.

Shareholders of the Company shall assume the following obligations:

- (1) to abide by the laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed and the Articles of Association;
- (2) to pay subscription monies according to the shares subscribed and the method of subscription;
- (3) not to withdraw the shares unless required by the laws and administrative regulations;
- (4) not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders, and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company; Where any shareholder of the Company abuses the shareholders' rights and incur losses to the Company or other shareholders, such shareholder shall be liable for the damages according to laws. Where shareholders of the Company abuse the Company's status as an independent legal entity and the limited liability of shareholders for the purposes of evading debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company;
- (5) other obligations imposed by the laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed and the Articles of Association.

General Provisions for Shareholders' General Meetings

The Shareholders' general meeting is the organ of authority of the Company, which exercises the following powers in accordance with applicable laws and regulations:

- (1) to elect or remove the Directors and to decide on matters relating to the remuneration of Directors and Supervisors;
- (2) to examine and approve reports of the Board of Directors;
- (3) to examine and approve the Company's proposals for profit distribution plans and loss recovery plans;
- (4) to decide on any increase or decrease of the Company's registered capital;
- (5) to decide on the issue of corporate bonds by the Company;
- (6) to decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;
- (7) to amend the Articles of Association;
- (8) to decide on the appointment and dismissal of an accounting firm, and the remuneration matters of the accounting firm by the Company;

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- (9) to examine and approve the provision of guarantees stipulated in Article 45;
- (10) to examine any single-year purchase or sale of material assets exceeding 30% of the company's most recently audited total assets;
- (11) to examine and approve matters relating to changes in the use of proceeds;
- (12) to examine and approve the equity incentive plans and employee stock ownership plans;
- (13) to examine other matters as required by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association of the Company or the securities regulatory rules of the place where the Company's shares are listed, which shall be decided by the Shareholders' general meeting.

The following provision of guarantees to third parties by the Company are subject to the consideration and approval by the Shareholders' general meeting:

- (1) any guarantee provided after the total amount of guarantee to third parties provided by the Company and its controlled subsidiaries has exceeded 50% of the Company's latest audited net assets;
- (2) any guarantee provided after the total amount of guarantee to third parties provided by the Company has exceeded 30% of the Company's latest audited total assets;
- (3) the cumulative guarantee amount in the last 12 months has exceeded 30% of the Company's latest audited total assets;
- (4) a guarantee provided to a party with an asset-liability ratio of over 70%;
- (5) a single guarantee that exceeds 10% of the Company's latest audited net assets;
- (6) the guarantee to be provided to shareholders, beneficial controllers and their related parties;
- (7) other circumstances required by laws, administrative regulations, normative documents, the Hong Kong Listing Rules and securities regulatory rules of the place where the Company's shares are listed or other regulatory documents or the Articles of Association of the Company.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting is convened once a year and shall be held within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

- (1) where the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;
- (2) where the losses of the Company that have not been made up reach one-third of its total capital stock;
- (3) where it is requested by a shareholder alone or shareholders together holding more than 10 percent of the Company's shares;

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- (4) the Board of Directors considers it necessary;
- (5) the Audit Committee proposes that such a meeting shall be held;
- (6) other circumstances conferred by the laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association.

If an extraordinary general meeting is convened in accordance with the provisions of the securities regulatory rules for the Company’s stock listing, the actual convening date of the extraordinary general meeting may be adjusted based on the approval progress of the securities exchange where the Company’s shares are listed.

Convening of Shareholders’ General Meetings

The board of directors is responsible for convening the Shareholders’ general meeting.

Shareholders who individually or collectively hold more than 10% of the shares of the Company and independent director shall have the right to request the Board of Directors to convene an extraordinary general meeting, and shall submit such request in writing to the Board of Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association, provide written feedback on whether or not to convene the extraordinary general meeting within 10 days after receiving the request.

Where the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days after the resolution of the Board of Directors is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Directors does not agree to convene an extraordinary general meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company’s shares have the right to propose to Audit Committee to hold an extraordinary general meeting, and shall make a written request to Audit Committee.

Where the Audit Committee agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Audit Committee fails to issue a notice of the general meeting within the prescribed time limit, it shall be deemed that the Audit Committee has not convened and presided over the general meeting, and shareholders who individually or collectively hold more than 10% of the Company’s shares for more than 90 consecutive days may convene and preside over it on their own.

Where the Audit Committee or shareholders decide to convene a Shareholders’ general meeting by themselves, they shall notify the Board of Directors in writing and file with the Shenzhen Stock Exchange at the same time. Prior to the announcement of the resolution of the Shareholders’ general meeting, the shareholding ratio of the convening shareholders shall not be less than 10%. The Audit Committee or the convening shareholders shall submit relevant supporting materials to the exchange(s) when issuing the notice of the general meeting and the announcement of the resolutions of the Shareholders’ general meeting.

The expenses necessary for the Shareholders’ general meeting convened by the Audit Committee or the shareholders themselves shall be borne by the Company.

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The Shareholders' general meeting shall be chaired by the chairman. When the chairman is unable to perform his duties or fails to perform his duties, the meeting is chaired by the Vice Chairman. When the Vice chairman is unable to perform his duties or fails to perform his duties, the chairman shall be presided over by a director jointly elected by more than half of the directors.

Notice of Shareholders' General Meeting

The convener shall notify all Shareholders by way of announcement 21 days prior to the convening of the annual general meeting, and each Shareholder shall be notified by way of announcement 15 days prior to the convening of the extraordinary general meeting. The date of the meeting shall not be included in the calculation of the commencement period.

The notice of a Shareholders' general meeting shall include the following:

- (1) the time, place and duration of the meeting;
- (2) matters and proposals submitted to the meeting for consideration;
- (3) in plain language: all Shareholders have the right to attend the general meeting of shareholders, and may entrust a proxy in writing to attend the meeting and vote. Such a proxy does not need to be a shareholder of the Company;
- (4) the shareholding registration date of the Shareholders entitled to attend the general meeting;
- (5) name and telephone number of the permanent contact person for conference affairs;
- (6) voting time and voting procedures on the Internet or in other ways;
- (7) other circumstances required by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The notice and supplementary notice of the Shareholders' general meeting shall fully and completely disclose all the specific contents of all proposals. Where an independent non-executive director is required to express opinions on matters to be discussed, the opinions and reasons of the independent non-executive directors shall be disclosed at the same time when the notice of Shareholders' general meeting and the supplementary notice are issued.

Proposals at Shareholders' General Meetings

The Board of Directors, the Audit Committee and Shareholders who individually or jointly hold more than 1% of the shares of the Company shall have the right to put forward proposals to the Company at the Shareholders' general meeting. Shareholders who individually or collectively hold more than 1% of the shares of the Company may submit an interim proposal in writing to the convener 10 days prior to the convening of the Shareholders' general meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting within 2 days after receiving the proposal, and announce the contents of the interim proposal.

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Proxy for the Shareholders’ General Meeting

A shareholder may attend and vote at the shareholders’ general meeting in person or by proxy.

Individual shareholders attending the meeting in person shall present their personal identity cards or other valid certificates or documents or proof of shareholding. Proxies attending the meeting shall present their personal identity cards and the proxy statements from the shareholder and exercise voting rights within the authorized scope.

Corporate shareholders shall be represented by its legal representative or proxies authorized by the legal representative. Legal representatives attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the legal representative. Proxies authorized to attend the meeting shall present their personal identity cards or the written proxy statement legally issued by the legal representative of the legal person shareholder, except for shareholders who are a recognized clearing house as defined in the relevant ordinances in force from time to time under the laws of Hong Kong or the securities regulatory rules of the place where the shares of the Company are listed (hereinafter referred to as the “Recognized Clearing House”) or its proxy.

If the shareholder is a Recognized Clearing House, the shareholder may authorize one or more persons it deems fit to act as its proxy at any general meeting or any meeting of creditors; however, if more than one person is authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized may act on behalf of the Recognized Clearing House as if such person were an individual shareholder of the Company (without presenting shareholding certificates, notarized authorization and/or further evidence of its duly authorization).

If the principal is a legal person, its legal representative or the person authorized by a resolution of the Board or other decision-making body shall attend the shareholders’ general meeting of the Company as the representative of such legal person.

The power of attorney issued by a shareholder to appoint another person to attend a general meeting shall contain the following particulars:

- (I) name of the proxy;
- (II) with or without voting rights;
- (III) instructions to vote for, against or abstain from voting on each matter to be considered that are included on the agenda of the shareholders’ general meeting, respectively;
- (IV) date of issuance and date of expiry of the power of attorney;
- (V) signature (or seal) of the principal. If the principal is a corporate shareholder, the seal of the corporate shall be affixed.

The power of attorney should state whether the proxy may vote as he/she wishes if the shareholder does not give specific instructions.

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Voting at the Shareholders’ General Meeting

Resolutions at shareholders’ general meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution at a shareholders’ general meeting shall be passed by more than half of the voting rights held by the shareholders present at the shareholders’ general meeting (including proxies). A special resolution at a shareholders’ general meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the shareholders’ general meeting (including proxies).

Shareholders (including their proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote.

The shares held by the Company shall have no voting right, and shall not be included in the total number of shares with voting rights of shareholders present at the shareholders’ general meeting.

If any shareholder, under applicable laws and regulations and Hong Kong Stock Exchange Listing Rules of the Hong Kong Stock Exchange, is required to abstain from voting on any particular matter being considered or is restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

If a shareholder purchases shares with voting rights of the Company in violation of the provisions of Article 63(1) and (2) of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of shares with voting rights present at the shareholders’ general meeting for thirty-six months after the purchase.

The Board of Directors, independent non-executive Directors, shareholders holding more than one per cent of the shares with voting rights or investor protection agencies established in accordance with laws, administrative regulations or the provisions of the CSRC may publicly solicit shareholders’ voting rights. The solicitation of shareholders’ voting rights shall provide full disclosure of information such as specific voting intentions to the solicited person.

The solicitation of shareholders’ voting rights by way of remuneration or disguised remuneration is prohibited. Except for statutory conditions, the Company shall not impose minimum shareholding restrictions on the solicitation of voting rights.

Where a related party transaction is considered at a shareholders’ general meeting, the interested shareholder(s) shall abstain from voting, and the voting shares held by the interested shareholder(s) shall not be counted in the total number of voting shares. The announcement on the resolutions of the shareholders’ general meeting shall fully disclose the voting of the non-interested shareholders.

The following matters shall be passed by ordinary resolutions at the shareholders’ general meeting:

- (I) work reports of the Board of Directors and the Board of Supervisors;
- (II) plans for the distribution of profits and for recovery of losses proposed by the Board;
- (III) the election and removal of the members of the Board of Directors and their remuneration and payment method;
- (IV) Any other matters other than those shall be passed by special resolutions as required by laws, administrative regulations, the Hong Kong Listing Rules and the listing rules of the place where the shares of the Company are listed, or the Articles of Association.

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The following matters shall be passed as special resolutions of a shareholders' general meeting:

- (I) the increase or reduction of the registered capital of the Company;
- (II) the division, spin-off, merger, dissolution and liquidation of the Company or compulsory winding-up;
- (III) any amendment to the Articles of Association;
- (IV) purchase or sale of significant assets within a year or guarantee to others, the amount of which exceeds 30% of the Company's audited total assets for the latest period;
- (V) share option incentive plan and employee stock ownership plan;
- (VI) any other matters stipulated by laws, administrative regulations, the Hong Kong Listing Rules and securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, which have a significant impact on the Company if to be passed by an ordinary resolution of a shareholders' general meeting and which are deemed necessary to be passed as a special resolution.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors of the Company may include executive Directors, non-executive Directors and independent Directors.

Directors shall be elected or replaced at a shareholders' general meeting, and can be removed by a shareholders' general meeting before the expiry of the term of office. Directors' term of office shall be three years, and upon expiry of the term of office, the Director may be re-elected.

The term of office of a Director shall be from the date of appointment to the expiry of term of office of the current Board. Where re-election is not promptly carried out upon expiry of the term of office of a Director, prior to appointment of a new Director, the original Director shall continue to carry out director duties pursuant to the provisions of laws, administrative regulations, ministry rules and the Articles of Association.

The general manager or any other senior management may hold the position of Director concurrently, but the aggregate number of Directors who hold the position of general manager or any other senior management position concurrently shall not exceed half of the total number of Directors of the Company.

A Director may resign prior to expiry of his/her term of office. A resigning Director shall submit a written resignation report to the Board of Directors. The Board of Directors shall disclose the relevant information within two days. Where the resignation of the Director will render the number of Directors to fall below the statutory quorum, or if the resignation of an independent director will lead to the proportion of independent directors in the company's board of directors or its special committees not complying with legal regulations or absence of accounting professional among the independent non-executive Directors, the original Director shall continue to perform director duties pursuant to the provisions of laws, administrative regulations, ministry rules and the Articles of Association prior to appointment of his/her replacement.

Except as set out in the preceding paragraph, the resignation of a director shall take effect on the date of receipt of the written resignation by the Company.

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Chairman

The Board of Directors shall appoint a Chairman.

The Chairman shall exercise the following functions and powers:

- (I) to preside over shareholders’ general meetings and to convene and to preside over Board meetings;
- (II) to supervise and inspect the implementation of Board resolutions;
- (III) to sign important Board documents and any other documents that are required to be signed by the company’s legal representative;
- (IV) to exercise the powers of the legal representative;
- (V) to examine and approve other matters other than the functions conferred by the board of directors and stipulated by laws, administrative regulations, the Hong Kong Listing Rules and securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

Board of Directors

The Board of Directors consist of seven Directors and have one chairman.

The Board of Directors shall be accountable to the Shareholders’ general meetings and shall exercise the following functions and powers:

- (I) to convene Shareholders’ general meetings, and submit work reports to the Shareholders’ general meeting;
- (II) to implement the resolutions of Shareholders’ general meetings;
- (III) to resolve on the Company’s business plans and investment plans;
- (IV) to formulate the Company’s profit distribution plan and plan for making up of losses;
- (V) to formulate the Company’s plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;
- (VI) to formulate the Company’s plans for significant acquisition, acquisition of the Company’s shares or merger, division, dissolution and change of company form;
- (VI) to decide, within the scope of the mandate granted by the Shareholders’ general meeting, on the Company’s external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related party transactions, external donations, etc;
- (VII) to decide on the establishment of the Company’s internal management organisations;

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- (IX) to decide on the appointment or dismissal of the general manager, secretary to the Board and other senior management members of the Company, and to decide on their remunerations, incentives and penalties; to decide on the appointment or dismissal of senior management members such as the deputy general manager or person-in-charge of finance of the Company based on the nominations by the general manager, and to decide on their remunerations, incentives and penalties;
- (X) to formulate and amend the basic management system of the Company;
- (XI) to formulate the proposals for any amendment to the Articles of Association;
- (XII) to manage information disclosure of the Company;
- (XIII) to propose to the Shareholders' general meeting on appointment or change of the accounting firms which provide audit services to the Company;
- (XIV) to listen to work reports of the general manager of the Company and inspect his/her work; and
- (XV) any other functions and powers stipulated by laws, administrative regulations, ministry rules, the Articles of Association or conferred by the Shareholders' general meeting.

Meetings of the Board of Directors shall be classified into regular meetings and extraordinary meetings. The Board of Directors shall convene at least four meetings every year and the Chairman shall convene the Board meetings. A written notice of a regular meeting of the Board of Directors shall be served 10 days before the meeting on all Directors.

Any shareholder(s) holding 1/10 or more of the voting rights, one-third or more of the Directors or the Audit Committee may propose the holding of an extraordinary meeting of the Board. The Chairman shall convene and preside over a Board meeting within 10 days from receipt of such proposal.

The notice of an extraordinary meeting of the Board shall be served by telephone and written notice (including personal delivery, fax and e-mail). Notice of the meeting shall be served on all Directors three days before the date of the meeting. In case of an emergency, with the unanimous consent of all Directors, the convening of an extraordinary meeting of the Board may not be limited by the aforementioned notice period, but this shall be recorded in the minutes of the Board meeting.

The Board meeting shall be held upon the attendance of more than half of Directors.

Resolutions made by the Board of Directors must be passed by more than half of all Directors of the Company. Voting on the resolutions of the Board of Directors shall be conducted on a one-person-one-vote basis.

If any Director has connection with the enterprise or individual involved in the resolution made at a Board meeting, such director shall submit a written report to the Board of Directors in a timely manner. The said Director shall not vote on the said resolution for himself/herself or on behalf of another Director. The Board meeting may be held when more than half of the non-connected Directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the issue shall be submitted to the shareholders' general meeting for consideration.

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Directors shall attend Board meetings in person. If any Director cannot attend the meeting for any reason, he/she may authorize in writing another Director to act on his/her behalf. The power of attorney shall set out the name of the proxy, the matters represented, scope of authorization and validity period, and shall be signed or sealed by the appointing Director. The appointed Director who attends the meeting shall exercise the Director's duties within the scope of authorization. If a Director does not attend a Board meeting in person and does not appoint a proxy to attend the meeting, he/she shall be deemed to have waived the voting rights at the meeting.

Special Committees under the Board

The Company has established the Audit Committee, the remuneration and appraisal committee and the nomination committee under the Board of Directors according to the actual situation and needs.

The special committees shall be responsible to the Board of Directors, and perform their duties according to the Articles of Association and the authorization granted by the Board of Directors. The proposals shall be submitted to the Board of Directors for consideration and approval. All members of the special committees are composed of Directors, among which the number of independent non-executive Directors shall be over half of the audit committee, remuneration and appraisal committee and nomination committee, and they shall act as the chairman of the committees. The chairman of the audit committee shall be an accounting professional. A majority of the members of the Audit Committee shall not hold positions in the Company other than as directors and shall not have any relationship with the Company that may affect their independent and objective judgement. The Board of Directors is responsible for formulating the working procedures of the special committees and regulating their operations.

Secretary to the Board

The Company shall have a secretary to the Board, and shall be responsible for the preparation of the shareholders' general meeting and Board meeting, document keeping and management of information regarding the shareholders of the Company and other matters, and shall deal with information disclosure and other matters. The secretary to the Board shall comply with the relevant provisions of the laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company's shares are listed or other regulatory documents and the Articles of Association.

General Manager and Other Senior Management Members

The Company establishes one General Manager, Deputy General Managers (if necessary), one Chief Financial Officer, and one Secretary to the Board of Directors, all of whom are appointed or dismissed by the Board of Directors.

The General Manager, Deputy General Managers (if necessary), Chief Financial Officer, and Secretary to the Board of Directors are senior executives of the Company.

The term of office of the general manager shall be three (3) years, renewable upon re-appointment.

The general manager shall be accountable to the Board of Directors and shall exercise the following functions and powers:

- (I) to be in charge of the Company's production, operation and management, and to organize and implement the resolutions of the Board of Directors and report on works to the Board of Directors;

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- (II) to organize and implement the Company's annual business plan and investment proposals;
- (III) to draft plans for the establishment of the Company's internal management organizations;
- (IV) to draft the Company's basic management system;
- (V) to formulate specific rules and regulations for the Company;
- (VI) to propose to the Board of Directors on the appointment or dismissal of deputy general manager, Chief Financial Officer and other senior executives of the Company;
- (VII) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (VIII) to review and approve ordinary connected/related-party transactions other than those that, pursuant to these Articles of Association, must be submitted to the Board or the shareholders' general meeting for approval;
- (IX) to review and approve any other material transactions, external investments, external guarantees and similar matters that, under applicable laws and regulations, the Hong Kong Listing Rules, other regulatory requirements of the place where the Company's shares are listed or these Articles of Association, are not required to be submitted to the Board or the shareholders' general meeting for approval;
- (X) to decide on the establishment by the company of wholly-owned subsidiaries and/or branches;
- (XI) other functions and powers stipulated in the general manager's work rules and the Articles of Association or conferred by the Board of Directors.

The general manager shall attend meetings of the Board of Directors.

Senior management members shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders. If any senior management member causes damage to the interests of the Company and its public shareholders due to failure in faithfully performing their duties or violation of his/her fiduciary duties, he/she shall be liable for compensation in accordance with laws.

Audit Committee

The Audit Committee shall exercise the powers and functions of the board of supervisors as provided under the Company Law.

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QUALIFICATIONS AND RESPONSIBILITIES OF DIRECTORS AND SENIOR MANAGEMENT

A person may not serve as a Director, general manager or other member of senior management of the Company in any of the following circumstances:

- (I) a person who has no or restricted capacity for civil conduct;
- (II) a person who has committed an offense of corruption, bribery, infringement of property, misappropriation of property or disruption of the socialism economic order and has been punished because of committing such offense, or who has been deprived of his/her political rights for committing an offense where less than five years have lapsed following the completion of the implementation of the punishment or in the case of being pronounced for suspended sentence, a two-year period has not elapsed since the expiration of the suspended sentence;
- (III) a person who is a former director, factory manager or president of a company or enterprise which has entered into insolvent liquidation and is personally liable for the insolvency of such company or enterprise, where less than three years have lapsed following the date of the completion of the insolvency and liquidation of such company or enterprise;
- (IV) a person who is a former legal representative of a company or enterprise which had its business license revoked or had been ordered to close down due to violation of the laws and has incurred personal liability, where less than three years have lapsed since the date of the revocation of such business license or the order for closure;
- (V) a person who has been listed as a dishonest person subject to enforcement by the people’s court due to his/her failure to pay off a relatively large amount of due debt;
- (VI) a person who is currently being prohibited from participating in the securities market as a director, supervisor, or senior executive of a listed company by the China Securities Regulatory Commission and such barring period has not elapsed;
- (VII) a person who is currently being publicly deemed by the securities exchange as unsuitable for serving as a director, or senior executive of the company, and the term of such disqualification has not expired;
- (VIII) any other circumstances stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company’s shares are listed.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the provisions stipulated by the relevant authorities of the PRC.

The Company shall prepare its annual financial and accounting report within four months after the end of each financial year, and its interim financial and accounting report within two months after the end of the first six months of each financial year.

The aforesaid financial and accounting reports shall be prepared and published in accordance with the applicable laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed.

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The Company will not establish account books other than the statutory account books.

The assets of the Company shall not be deposited in any personal account.

The Company is required to allocate 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required. Where the statutory reserve fund of the Company is insufficient to make up the losses of the Company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph.

Subject to a resolution of the shareholders' general meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund. After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to shareholders in proportion to their shareholdings, unless otherwise stipulated in the Articles of Association.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

Reserve funds of the Company are used for recovering losses of the Company and expanding scale of operation of the Company or conversion into its capital. Where the reserve fund of the Company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve funds are converted to increase the registered capital, the remaining balance of such reserve fund must not be less than 25% of its registered capital before such conversion.

INTERNAL AUDIT

The Company has implemented an internal audit system and established the internal audit department equipped with full-time auditors to conduct internal audit and supervision on the Company's financial revenues and expenditures and economic activities.

The internal audit system of the Company and the duties of the auditors shall be implemented upon approval by the Board. The person in charge of audit shall be accountable and report to the Board.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall appoint such accounting firm, which has complied with the Securities Law, the Hong Kong Listing Rules and securities regulatory rules of the place where the Company's shares are listed, for carrying out the audit for the accounting statements, net asset verification and other relevant consultancy services. The term of appointment is one (1) year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of the shareholders' general meetings. The Board of Directors may not appoint accounting firm before the approval of the shareholders' general meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The audit fees of an accounting firm shall be determined at the shareholders' general meeting.

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If the Company removes or no longer re-appoints the accounting firm, it shall notify such accounting firm ten (10) days in advance. When shareholders vote for the removal of such accounting firm, such accounting firm shall be entitled to state its opinions at the shareholders' general meeting.

Where the accounting firm resigns its office, it shall make clear to the shareholders' general meeting whether or not there are irregularities in the Company.

MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION OF THE COMPANY

Merger of the Company may take the form of absorption or establishment of a new company.

In the case of merger by absorption, a company absorbs any other company and the absorbed company shall be dissolved. Merger by establishment of a new company shall refer to the establishment of a new company as a result of merger of two or more companies and dissolution of the merger parties.

In the event of a merger, the merger parties shall enter into a merger agreement, and formulate a balance sheet and an inventory list for assets. The Company shall notify its creditors within 10 days from passing of the resolution on merger, and make an announcement within 30 days in newspaper or on the National Enterprise Credit Information Publicity System. Creditors may require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

At the time of merger, the claims and debts of the merger parties shall be succeeded by the company which subsists after the merger or the newly-established company.

When the Company undergoes a division, its assets shall be divided accordingly. In the event of a division, a balance sheet and an inventory list for assets shall be prepared. The Company shall notify its creditors within 10 days from passing of the resolution on division, and make an announcement within 30 days in newspaper or on the National Enterprise Credit Information Publicity System.

The debts of the Company prior to the division shall be assumed jointly and severally by the companies arising from the division, unless provided otherwise in a written agreement reached by the Company and the creditors in respect of repayment of the debts prior to the division.

Where the Company needs to reduce its registered capital, it shall formulate a balance sheet and an inventory list for assets.

The Company shall notify its creditors within 10 days from passing of the resolution on reduction of registered capital, and make an announcement within 30 days in newspaper or on the National Enterprise Credit Information Publicity System. The creditors shall have the right to require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

The reduced registered capital of the Company shall not be lower than the minimum statutory amount.

In the event of change in registration matters due to merger or division, the Company shall complete change registration formalities with the company registration authority pursuant to the law; where the Company is dissolved, the Company shall apply for deregistration pursuant to the law; where a new company is established, company establishment formalities shall be completed pursuant to the law.

If the Company increase or reduce its registered capital, the Company shall complete change registration formalities with the company registration authority pursuant to the law.

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DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

- (I) expiry of term of business stipulated in the Articles of Association or occurrence of any other trigger for dissolution stipulated in the Articles of Association;
- (II) A shareholders' general meeting has resolved on dissolution of the Company;
- (III) dissolution is required due to the merger or division of the Company;
- (IV) the Company's business licence is cancelled or the Company is ordered to be closed down or deregistered pursuant to the law; or
- (V) where the Company has serious difficulties in its business management that cannot be resolved through any other means, and its subsistence will cause serious damages to the interests of its shareholders, the shareholders who hold 10% or more of the total voting rights of the Company may apply to the people's court for dissolution of the Company.

If any of the situations as mentioned in the preceding paragraph arises, the Company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the Company is dissolved pursuant to items (I), (II), (IV) or (V) above, it shall establish a liquidation committee for liquidation within 15 days after the dissolution circumstance arises. Directors are the liquidation obligors of the Company and the members of the liquidation committee shall be Directors or determined by the Shareholders' general meeting. If the liquidation committee is not duly set up within the specified period or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate related persons to form a liquidation committee to carry out liquidation. If the liquidation obligor fails to fulfil its liquidation obligations in a timely manner and causes losses to the company or creditors, it shall be liable for compensation.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

- (I) to liquidate the Company's assets and compile a balance sheet and a property inventory separately;
- (II) to inform creditors by notice or announcement;
- (III) to deal with the outstanding businesses of the Company relating to liquidation;
- (IV) to pay off the taxes owed and the taxes arising during liquidation;
- (V) to clear credits and debts;
- (VI) to distribute of the remaining assets of the Company after all the debts are paid off;
- (VII) to participate in civil proceedings on behalf of the Company.

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The liquidation committee shall notify all creditors within 10 days after its establishment and shall make announcements in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after announcement if the creditors haven't received the notice.

The creditors shall explain matters relating to their rights and provide relevant evidential documents.

The liquidation committee shall register the creditor's rights. The liquidation committee shall not pay off any debts to any creditors during the period of declaration of creditor's rights.

After the liquidation committee has liquidated the assets of the Company and has compiled a balance sheet and a property inventory, it shall formulate a liquidation proposal and submit it to the shareholders' general meeting or the People's Court for confirmation. The Company's assets shall be used respectively for payment of liquidation expenses, employees' wages, social security premiums and statutory compensation, and payment of tax in arrears and the Company's debts; the residual assets thereafter shall be distributed in accordance with the shareholding type and percentage of the shareholders.

During the liquidation period, the Company shall subsist but shall not engage in business activities unrelated to liquidation. The Company's assets shall not be distributed to shareholders prior to making repayment pursuant to the provisions of the preceding paragraph.

After the liquidation committee has liquidated the assets of the Company and compiled a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the people's court for bankruptcy and liquidation of the Company in accordance with the law.

After the people's court accepts the application for bankruptcy, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Following the completion of the liquidation of the Company, the liquidation committee shall formulate a liquidation report, submit it to the shareholders' general meeting or the People's Court for confirmation, deliver it to the company registry, apply for the cancellation of the Company's registration and publicly announce the Company's termination.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

- (I) Following the revision of the Company Law or relevant laws, administrative regulations and the Hong Kong Listing Rules, the matters stipulated in the Articles of Association contradict the provisions of the revised laws, administrative regulations and the Hong Kong Listing Rules;
- (II) There is any change to the Company's particulars which result in inconsistency with the matters set out in the Articles of Association; or
- (III) The Shareholders' General Meeting has decided on making amendments to the Articles of Association.

If the amendment to the Articles of Association adopted by resolution of the shareholders' general meeting is subject to the approval of the competent authority, it shall be reported to the competent authority for approval; if it involves matters of company registration, the registration of the changes shall be made with the company registration authority in accordance with the law.

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STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation of our Company

Our Company was incorporated as a limited liability company under the laws of the PRC in September 2014 and was converted into a joint stock company with limited liability in November 2025. The registered office of our Company is at Room 201, Building A, No. 1 Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong Province, PRC.

We were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on December 24, 2025, and our principal place of business in 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Ms. Ye Jiahong (叶嘉红), our joint company secretary, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC. An overview of the relevant aspects of laws and regulations of the PRC is set out in the section headed “Regulatory Overview” in this document. A summary of our Articles of Association is set out in Appendix V to this document.

Our Subsidiaries

A summary of the corporate information and the particulars of our major subsidiaries are set out in Note 1 to the Accountants’ Report in Appendix I to this document.

Changes in the Share Capital of our Company

On November 27, 2025, our Company was converted into a joint stock company with limited liability, whose registered share capital was RMB5,923,404 consisting of 5,923,404 Unlisted Shares of nominal value of RMB1.00 each, which has been fully paid up by our promoters.

On January 15, 2026, our Shareholders resolved to increase our registered share capital from RMB5,923,404 to RMB30,000,000. Upon the completion of such capital increase, the registered share capital of our Company is RMB30,000,000 consisting of 30,000,000 Unlisted Shares with a nominal value of RMB1.00 each.

On January 21, 2026, our Shareholders resolved that immediately prior to the [REDACTED], each of our Share with nominal value of RMB1.00 will be subdivided into five Shares with nominal value of RMB0.20 each. Upon completion of such Share Subdivision, the registered capital of our Company, which is RMB30,000,000, will be divided into 150,000,000 Shares with nominal value of RMB0.20 per Share.

Save as disclosed above and in “History, Development and Corporate Structure” in this document, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

Changes in Share Capital of Our Subsidiaries

There was no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

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Resolutions Passed by Our Shareholders’ General Meeting in Relation to the [REDACTED]

Pursuant to the Shareholders’ general meeting held on January 21, 2026, the following resolutions, among other things, were duly passed:

- (i) the issue by our Company of the H Shares with a nominal value of RMB[REDACTED] each, representing up to [REDACTED]% of the total share capital of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and such H Shares being [REDACTED] on the Stock Exchange;
- (ii) the granting of the [REDACTED] in respect of no more than [REDACTED]% of the number of H Shares issued as mentioned above;
- (iii) subject to the completion of the filing with the CSRC, upon completion of the [REDACTED], [REDACTED] Unlisted Shares held by certain existing Shareholders will be converted into H Shares on an one-for-one basis;
- (iv) subject to the completion of the [REDACTED], the Articles of Association have been approved and adopted with effect from the [REDACTED] Date, and the Board and person(s) authorized by the Board have been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (v) approving the Board and person(s) authorized by the Board to handle all matters relating to, among other things, the issue and the [REDACTED] of H Shares on the Stock Exchange.

Pre-[REDACTED] Share Incentive Scheme

The following is a summary of the principal terms of the Pre-[REDACTED] Share Incentive Scheme effective from January 15, 2026. The terms of the Pre-[REDACTED] Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-[REDACTED] Share Incentive Scheme will not involve the grant of options by us to [REDACTED] for Shares after the [REDACTED].

1. Purpose

The purpose of the Pre-[REDACTED] Share Incentive Scheme is to establish and enhance a long-term incentive and restraint mechanism, attract and retain outstanding talent, fully motivate our Company’s core personnel, and effectively align the interests of Shareholders, our Company, and key employees, so that all parties jointly focus on our Company’s long-term development, ensure steady performance growth, and realize our Company’s strategic development and operational goals while fully safeguarding the interests of shareholders.

2. Who may join

Participants under the Pre-[REDACTED] Share Incentive Scheme may include directors, employees, and external consultants of the Group.

3. Maximum number of Shares

The total number of Shares which may be issued upon exercise of all outstanding options granted under the Pre-[REDACTED] Share Incentive Scheme at any time shall not exceed 900,000 Shares (or 4,500,000 Shares after the Share Subdivision), representing [REDACTED]% of the total issued Shares immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme) (the “Scheme Limit”).

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4. Source of Shares

The source of the underlying shares of the Pre-[REDACTED] Share Incentive Scheme shall be new H Shares to be issued by the Company or treasury Shares held by the Company through on-market repurchase.

5. Vesting methods

The options granted under the Pre-[REDACTED] Share Incentive Scheme may be exercised and vested through one or more of the following arrangements: (i) direct ownership of Shares; (ii) indirect ownership of Shares through trust arrangements; or (iii) indirect ownership of Shares as a limited partner under a partnership structure.

6. Administration

Under the authorization of our Company, our human resources committee comprised of Mr. Yao, Ms. Wang and Mr. Xie Jiong (謝炯) (“the Human Resources Committee”) may determine any Directors, senior management and employees of our Company and its subsidiaries, and external counsels providing services to our Company (the “Grantees”), who the Human Resources Committee considers, in its sole discretion, have contributed to our Group, to take up options (the “Options”) to subscribe for Shares.

7. Subscription price for Shares

The subscription price in relation to each Share issued pursuant to the exercise of options granted under the Pre-[REDACTED] Share Incentive Scheme shall be determined by the Board at its discretion and set out in the relevant grant letter. A nominal consideration of RMB1.00 is payable by a Grantee upon acceptance of the grant of the Options. If events such as share subdivision or consolidation of the registered capital, conversion of capital reserves into registered capital, or other similar events result in changes to the number of Shares held by the Grantee, the exercise price of the options shall be adjusted accordingly.

8. Period of the Pre-[REDACTED] Share Incentive Scheme

The Pre-[REDACTED] Share Incentive Scheme will remain in force for the period for ten (10) years.

9. Vesting arrangement of Options granted

The Options granted to senior management shall vest over a period of no less than four (4) years; the Options granted to Grantees other than senior management shall vest over a period of no less than three (3) years.

Based on an assessment conducted by the Human Resources Committee, which takes into account factors such as years of contribution and performance, for a Grantee who meets the nomination criteria, the Human Resources Committee shall have the right (but not the obligation) to decide, at its discretion, whether to grant such Grantee a portion of Options that are not subject to the vesting schedule, meaning such portion of Options shall be fully vested as of the grant date. Any other Options granted to the same Grantee that are not immediately vested shall be subject to the phased vesting arrangement stipulated in this Scheme.

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10. Rights on ceasing of employment

If the Grantees resign from our Company prior to the [REDACTED], all Options granted to the Grantee that have not been exercised (whether vested or unvested) shall cease vesting and be cancelled. For the Share acquired by the Grantee through the exercise of Options, the Company shall have the right (but not the obligation) to designate a party to repurchase such Share. If the Company exercises this repurchase right, the Grantee is obligated to sell the Share to the party designated by the Company at the exercise price paid by the Grantee.

If the Grantees resign from our Company after the [REDACTED], all Options granted to the Grantee that have not been exercised (whether vested or unvested) shall cease vesting and be cancelled.

The Incentive Shares acquired by the Grantee through the exercise of Options shall continue to be held by the Grantee in accordance with the terms of this Scheme.

11. Rights on a voluntary winding-up

In the event our Company becomes unable to repay its due debts and is legally subject to bankruptcy liquidation proceedings, or a deemed liquidation event as defined in the shareholders' agreement occurs, unless otherwise determined by the Board:

- (i) any Options in the option pool that have not been granted shall cease to be available for grant;
- (ii) all unvested Options that have been granted to a Grantee shall cease vesting and be cancelled;
- (iii) all vested but unexercised Options that have been granted to a Grantee shall be exercised by the Grantee within the period specified by the Human Resources Committee. Failure to exercise the Options or to pay the full exercise price within such period shall be deemed a waiver of the Options, and they shall cease to be exercisable and be cancelled.

12. Adjustment

Subject to the other terms and conditions contained in the Pre-[REDACTED] Share Incentive Scheme, the number and/or exercise price of granted Options may be adjusted upon the occurrence of certain events before exercise by the grantee. These events include but not limited to, as the case may be, (i) capitalization of reserves, (ii) share subdivision, and (iii) share consolidation.

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13. Current status of outstanding options granted

As of the Latest Practicable Date, a total of 112 participants have been granted outstanding options under the Pre-[REDACTED] Share Incentive Scheme to subscribe for 226,250 underlying Shares (or 1,131,250 Shares after the Share Subdivision) in aggregate, representing 0.75% of the total issued share capital of our Company as of the Latest Practicable Date and [REDACTED]% of the total issued share capital of our Company immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme). An aggregate of 17,100 underlying Shares (or 85,500 Shares after the Share Subdivision) were granted to two of our Directors, senior management members and/or other connected persons, and the remaining 209,150 underlying Shares (or 1,045,750 Shares after the Share Subdivision) were granted to 110 other eligible participants who are employees of our Company. Assuming full vesting and exercise of all outstanding Share Incentives under the Pre-[REDACTED] Share Incentive Scheme, the shareholding of our Shareholders immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised) will be diluted by a maximum of approximately [REDACTED]%. If all the options granted under the Pre-[REDACTED] Share Incentive Scheme are exercised, there would be a dilution effect of no more than [REDACTED]% on the earnings per Share. Our Company will further grant options under the Pre-[REDACTED] Share Incentive Scheme prior to the [REDACTED] and our Company will not grant Options under the Pre-[REDACTED] Share Incentive Scheme after the [REDACTED].

The table below sets out the details of outstanding options granted to our Directors, senior management members and other connected persons of our Company under the Pre-[REDACTED] Share Incentive Scheme as of the Latest Practicable Date:

Name of grantee(s)	Position(s)	Number of underlying Shares (before the Share Subdivision) granted	Number of underlying Shares (after Share Subdivision) granted	Exercise price	Date of grant	Vesting period	Exercise period	Approximate percentage of issued Shares immediately after completion of the [REDACTED] ⁽¹⁾
Shu Peng	Executive Director, employee representative Director and director of product development	9,600	48,000	See note (2) below	January 16, 2026	See note (3) below	See note (4) below	[REDACTED]%
Liu Xudong	Senior director of channel sales	7,500	37,500	See note (2) below	January 16, 2026	See note (3) below	See note (4) below	[REDACTED]%

Notes:

- (1) The calculation is based on [REDACTED] Shares in issue immediately after the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme).
- (2) The Grantee shall be required to pay a nominal consideration of RMB1.00 per Share. The exercise price shall be adjusted in accordance with any share subdivision.
- (3) The vesting periods are at least 4 years commencing from the Pre-[REDACTED] Share Incentive Scheme, i.e. January 16, 2026.
- (4) The Options can be exercised by the Grantee on a yearly basis after the [REDACTED] except in cases where the Board has resolved to accelerate the exercise of options.

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Save for the two grantees disclosed above, the remaining 110 grantees who were not our Directors, senior management members or other connected persons of our Company held an aggregate of 209,150 underlying Shares (or 1,045,750 Shares after the Share Subdivision) that were still outstanding and unexercised under the Pre-[REDACTED] Share Incentive Scheme as of the Latest Practicable Date, representing 0.70% of the total issued share capital of our Company as of the Latest Practicable Date and [REDACTED]% of the total issued share capital of our Company immediately after the completion of the [REDACTED] and the Share Subdivision (assuming that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme). The table below set out the details of the outstanding options granted to such remaining grantees under the Pre-[REDACTED] Share Incentive Scheme as of the Latest Practicable Date:

Range of outstanding underlying Shares (after the Share Subdivision) under options granted	Total number of grantees	Number of underlying Shares (before the Share Subdivision) granted	Number of underlying Shares (after the Share Subdivision) granted	Exercise price	Date of grant	Vesting period	Exercise period	Approximate % of share capital of our Company immediately after completion of the [REDACTED] ⁽¹⁾
1 – 20,000	89	95,750	484,750	See note (2) below	January 16, 2026	See note (3) below	See note (4) below	[REDACTED]%
20,001 – 40,000	20	103,200	516,000	See note (2) below	January 16, 2026	See note (3) below	See note (4) below	[REDACTED]%
over 40,000	1	9,000	45,000	See note (2) below	January 16, 2026	See note (3) below	See note (4) below	[REDACTED]%

Notes:

- (1) The calculation is based on [REDACTED] Shares in issue immediately after the [REDACTED] (assuming that the [REDACTED] is not exercised and no Shares are issued under the Pre-[REDACTED] Share Incentive Scheme).
- (2) The Grantee shall be required to pay a nominal consideration of RMB1.00 per Share. The exercise price shall be adjusted in accordance with any share subdivision.
- (3) The vesting periods are at least 3 years commencing from the Pre-[REDACTED] Share Incentive Scheme, i.e. January 16, 2026.
- (4) The Options can be exercised by the Grantee on a yearly basis after the [REDACTED] except in cases where the Board has resolved to accelerate the exercise of options.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

- (1) [REDACTED].

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Intellectual Property Rights

As of the Latest Practicable Date, our Group has registered the following intellectual property rights which were material to our Group’s business.

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we considered to be material to our business:

No.	Trademark	Class	Owner	Place of Registration	Registration No.	Expiry Date
1		3	Our Company	PRC	81063642	July 6, 2035
2	LOCKSKIN 	3	Our Company	PRC	78940301	February 13, 2035
3		5	Our Company	PRC	77157331	February 6, 2035
4		5	Our Company	PRC	77168120	March 6, 2035
5		3	Our Company	PRC	77157283	March 6, 2035
6		3	Our Company	PRC	77168978	February 6, 2035
7	LOCKSKIN	3	Our Company	PRC	72726786	December 27, 2033
8	LOCKSKIN	5	Our Company	PRC	72731305	December 27, 2033
9	 HONEYMATE BEAUTY NATURALISM	3	Our Company	PRC	68614230	October 13, 2033
10	 HONEYMATE BEAUTY NATURALISM	5	Our Company	PRC	68611376	October 13, 2033
11		5	Our Company	PRC	65749242	January 13, 2033
12	 HONEYMATE BEAUTY NATURALISM	38	Our Company	PRC	61251460	June 13, 2032
13	肌发灵感	3	Our Company	PRC	61165328	May 20, 2032
14	CharmPhil	3	Our Company	PRC	53742827	September 13, 2031
15	肌发灵感	3	Our Company	PRC	51656059	August 13, 2031
16	香亿哲	3	Our Company	PRC	43734623	September 20, 2030
17	CharmPhil	3	Our Company	PRC	43720873	September 20, 2030
18	香艺哲	3	Our Company	PRC	43737968	September 20, 2030

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No.	Trademark	Class	Owner	Place of Registration	Registration No.	Expiry Date
19		3	Our Company	PRC	34257587	September 27, 2029
20		3	Our Company	PRC	20307330	August 6, 2027
21		3	Our Company	Hong Kong	304800807	July 2, 2029

Patents

As of the Latest Practicable Date, we had registered the following patents which we considered to be material to our business:

No.	Owner	Description	Patent No.	Types of Patents	Application Date	Expiry Date
1	Our Company	Preparation method and application of bakuchiol derivatives and salts thereof (補骨脂酚衍生物及其鹽的製備方法和應用)	2023113237071	Invention	October 13, 2023	September 11, 2045
2	Our Company	Method for extracting high-purity okanin from snow chrysanthemum and extract obtained therefrom (一種從雪菊中提取高純度奧卡寧的方法及提取物)	2023113019240	Invention	October 10, 2023	August 21, 2045
3	Our Company	Application of glabridin as a skin penetration enhancer in topical skin formulations (光甘草定作為皮膚促滲劑在皮膚外用劑中的應用)	202411217598X	Invention	September 2, 2024	May 26, 2045
4	Our Company	Portugal’s Cladosporium yeast, fermentation filtrate, and preparation method and application thereof (葡萄牙棒孢酵母、發酵濾液及其製備方法和應用)	2024114956739	Invention	October 25, 2024	January 27, 2045
5	Our Company	Arbutin composition, preparation method and use thereof (熊果苷組合物、製備方法和用途)	2024108838203	Invention	July 3, 2024	September 30, 2044

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No.	Owner	Description	Patent No.	Types of Patents	Application Date	Expiry Date
6	Our Company	A skin-lightening composition and topical skin preparation (一種美白組合物和外用皮膚製劑)	2023103687486	Invention	April 10, 2023	August 8, 2044
7	Our Company	Nanoparticles and solutions thereof, nanoreactors, uses and preparation methods (納米顆粒及其溶液、納米反應器、用途和製備方法)	2024105020626	Invention	April 25, 2024	August 8, 2044
8	Our Company	Composition for enhancing the brightening efficacy of arbutin and skin care composition (促進熊果苷提亮功效的組合物及皮膚護理組合物)	2024100529589	Invention	January 15, 2024	April 18, 2044
9	Our Company	Skin conditioning agent composition and preparation method thereof (皮膚調理劑組合物及其製備方法)	2023113476570	Invention	October 18, 2023	March 18, 2044
10	Our Company	Oil-in-water composition containing boswellin and cream (含波色因的水包油組合物及膏霜)	2023113631025	Invention	October 20, 2023	December 25, 2043
11	Our Company	A micro-bead encapsulating active ingredient and preparation method thereof (一種包裹活性物的微凝珠及其製備方法)	2022101068044	Invention	January 28, 2022	November 2, 2043
12	Our Company	A skin care composition and topical skin preparation (一種皮膚護理組合物和外用皮膚製劑)	2023106509438	Invention	June 5, 2023	July 27, 2043
13	Our Company	A caffeine firming and repairing eye cream and preparation method thereof (一種咖啡因緊致修護眼霜及其製備方法)	202110908477X	Invention	August 9, 2021	July 20, 2043

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No.	Owner	Description	Patent No.	Types of Patents	Application Date	Expiry Date
14	Our Company	Use of a composition in the preparation of a retinoid X receptor γ activator, and topical skin care products containing the same (組合物在製備視黃酸X受體 γ 激活劑中的用途及含其的外用皮膚護理產品)	2025102195708	Invention	February 26, 2025	December 4, 2045
15	Our Company	Anti-photoaging skin care product, oxidation-resistant anti-aging compound and uses thereof (抗光老化護膚品、耐氧化抗衰老化合物及用途)	202311470311X	Invention	November 7, 2023	November 27, 2045

Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we considered to be material to our business:

No.	Copyright	Registered Owner	Place of Registration	Registration No.	Registration date
1	Gift Box (II) (禮盒(II))	Our Company	PRC	Guangdong Registration No.-2025-F-00024712 (粵作登字-2025-F-00024712)	September 28, 2025
2	Gift Box (2025) (禮盒(2025))	Our Company	PRC	Guangdong Registration No.-2025-F-00020168 (粵作登字-2025-F-00020168)	August 21, 2025
3	618 Gift Box (2025) (618禮盒(2025年))	Our Company	PRC	Guangdong Registration No.-2025-F-00013089 (粵作登字-2025-F-00013089)	June 16, 2025
4	Project Theme Font Design V1 (項目主題字設計V1)	Our Company	PRC	Guangdong Registration No.-2025-F-00010150 (粵作登字-2025-F-00010150)	May 20, 2025
5	Project Theme Font Design V2 (項目主題字設計V2)	Our Company	PRC	Guangdong Registration No.-2025-F-00010151 (粵作登字-2025-F-00010151)	May 20, 2025
6	HBN Product Design (Retinol Firming Essence Emulsion) (HBN產品設計(視黃醇塑顏精華乳))	Our Company	PRC	Guangdong Registration No.-2025-F-00007959 (粵作登字-2025-F-00007959)	April 22, 2025
7	Icon (Expert Customization) (圖標(專研定制))	Our Company	PRC	Guangdong Registration No.-2025-F-00006862 (粵作登字-2025-F-00006862)	April 9, 2025

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No.	Copyright	Registered Owner	Place of Registration	Registration No.	Registration date
8	Old Icon (Natural Ingredients) (舊圖標(自然成分))	Our Company	PRC	Guangdong Registration No.-2025-F-00006823 (粵作登字-2025-F-00006823)	April 9, 2025
9	Icon (Natural Ingredients) (圖標(自然成分))	Our Company	PRC	Guangdong Registration No.-2025-F-00005316 (粵作登字-2025-F-00005316)	March 26, 2025
10	Icon (Natural Ingredients; Renewable Packaging; Suitable for Multiple Skin Types) (圖標(自然成分; 可再生包材; 適合多種肌膚型))	Our Company	PRC	Guangdong Registration No.-2025-F-00005336 (粵作登字-2025-F-00005336)	March 26, 2025
11	Icon (Renewable Packaging) (圖標(可再生包材))	Our Company	PRC	Guangdong Registration No.-2025-F-00005317 (粵作登字-2025-F-00005317)	March 26, 2025
12	HBN Product Design (Alpha-Arbutin Radiance Essence Water) (HBN產品設計(α-熊果苷煥顏精萃水))	Our Company	PRC	Guangdong Registration No.-2025-F-00005333 (粵作登字-2025-F-00005333)	March 26, 2025
13	Icon (Suitable for Multiple Skin Types) (圖標(適合多種肌膚型))	Our Company	PRC	Guangdong Registration No.-2025-F-00005318 (粵作登字-2025-F-00005318)	March 26, 2025
14	HBN Product Box Design (Alpha-Arbutin Radiance Essence Water) (HBN產品彩盒設計(α-熊果苷煥顏精萃水))	Our Company	PRC	Guangdong Registration No.-2025-L-00000257 (粵作登字-2025-L-00000257)	February 13, 2025
15	HBN Product Sticker Design (Alpha-Arbutin Radiance Essence Water) (HBN產品貼紙設計(α-熊果苷煥顏精萃水))	Our Company	PRC	Guangdong Registration No.-2025-L-00000264 (粵作登字-2025-L-00000264)	February 13, 2025
16	Gift Box (Mid-Autumn Festival Gift Box) (禮盒(中秋禮盒))	Our Company	PRC	Guangdong Registration No.-2024-F-00024802 (粵作登字-2024-F-00024802)	September 26, 2024

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No.	Copyright	Registered Owner	Place of Registration	Registration No.	Registration date
17	Gift Box (Qixi Festival Gift Box) (禮盒(七夕禮盒))	Our Company	PRC	Guangdong Registration No.-2024-F-00024803 (粵作登字-2024-F-00024803)	September 26, 2024
18	Original White Skincare White Paper (原生白護膚白皮書)	Our Company	PRC	National Registration No.-2024-L-00263694 (國作登字-2024-L-00263694)	September 4, 2024
19	Gift Box (5th Anniversary Gift Box) (禮盒(五周年禮盒))	Our Company	PRC	Guangdong Registration No.-2024-F-00023609 (粵作登字-2024-F-00023609)	September 4, 2024

Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we considered to be material to our business:

No.	Domain Name	Name of Registered Proprietor	Date of Approval
1	hbn.cn	Our Company	February 9, 2023
2	hb-n.com	Our Company	January 13, 2023
3	hbnaturalism.cn	Our Company	January 13, 2023
4	hbnaturalism.com	Our Company	January 13, 2023
5	honeymate.cn	Our Company	October 7, 2023

Save as the above, as of the Latest Practicable Date, there were no other intellectual property rights which were material to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Service Contracts and Letters of Appointment

Each of our executive Directors [has entered] into a service contract with our Company, and we have issued letters of appointment to each of our independent non-executive Directors. The service contracts with each of our executive Directors are for an initial fixed term of [three] years commencing from the date of such agreement. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of [three] years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, into a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Remuneration of Directors

See “Directors and Senior Management” and Note 9 to the Accountants’ Report in Appendix I to this document for the remuneration or benefits in kind of our Directors for the two years ended December 31, 2024 and the nine months ended September 30, 2025.

No remuneration was paid by the Company to the Directors or the five highest paid individuals as inducement to join or upon joining the Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the Track Record Period.

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DISCLOSURE OF INTERESTS

Interests of Our Directors and Chief Executive

Immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company 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 entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED], will be as follows:

Name of Director	Our Company/ associated corporation	Capacity/ nature of interest	As of the Latest Practicable Date		Immediately following the completion of the Share Subdivision, the [REDACTED] (assuming the [REDACTED] is not exercised)	
			Number of Unlisted Shares	Approximate percentage of shareholding in the total issued share capital of our Company	Number of H Shares	Approximate percentage of shareholding in the total issued share capital of our Company
Mr. Yao ⁽²⁾	Our Company	Beneficial owner	10,524,602	35.08%	[REDACTED]	[REDACTED]%
		Interest in controlled corporations	2,399,998	8.00%	[REDACTED]	[REDACTED]%
	Our Company	Interest in spouse	4,080,000	13.60%	[REDACTED]	[REDACTED]%
		Interest of a party to an agreement regarding interest in the Company	5,852,716	19.51%	[REDACTED]	[REDACTED]%
Ms. Wang	Our Company	Beneficial owner	4,080,000	13.60%	[REDACTED]	[REDACTED]%
		Interest in spouse	18,777,316	62.59%	[REDACTED]	[REDACTED]%
Dr. Shu Peng	Our Company	Beneficial owner ⁽³⁾	9,600	0.032%	[REDACTED]	[REDACTED]%

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Notes:

- (1) All interests are long positions.
- (2) See “Substantial Shareholders” for details.
- (3) Dr. Shu Peng is entitled to subscribe for 9,600 Shares pursuant to the options granted to him under the Pre-[REDACTED] Share Incentive Scheme, subject to the conditions thereof.

Interests of the Substantial Shareholders

Save as disclosed in the section headed “Substantial Shareholders” in this document, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares and underlying Shares of our Company, which following the completion of the Share Subdivision, the [REDACTED] and the Conversion of Unlisted Shares into H Shares, would fall to be disclosed to our Company under 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 issued voting Shares of our Company or any member of our Group.

Competing Interests of Directors

None of our Directors or his/her respective close associates are interested in a business, apart from the business of our Group, 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.

Disclaimers

- (1) none of our Directors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (2) none of our Directors is 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; and
- (3) save as disclosed in the sections headed “Substantial Shareholders” and “—Disclosure of Interests—Interests of Our Directors and Chief Executive” so far as is known to our Directors, none of our Directors their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

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OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any outstanding material litigation or arbitration which may have material and adverse effect on the [REDACTED] and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the [REDACTED] Committee for the [REDACTED] of, and permission to [REDACTED], our H Shares. The Joint Sponsors satisfy the independence criteria applicable to a sponsor as set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will be paid by our Company a total fee of US\$1,000,000 to act as the sponsor in connection with the [REDACTED].

Compliance Advisor

Our Company has appointed Rainbow Capital (HK) Limited as the compliance advisor upon the [REDACTED] in compliance with Rule 3A.19 of the Listing Rules.

Preliminary Expenses

We have not incurred any material preliminary expenses.

Promoters

See “History, Development and Corporate Structure—Major Shareholding Changes—Major Shareholding Changes of our Company—3. Conversion into a Joint Stock Company” for details of our promoters.

Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

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Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this document, are as follows:

Name	Qualification
Morgan Stanley Asia Limited	A licensed corporation under the SFO for carrying on Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Ernst & Young	Certified public accountants and public interest entity auditors
Jingtian & Gongcheng	PRC Legal Advisor
China Insights Industry Consultancy Limited	Independent industry consultant

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Consents of Experts

Each of the experts named in “—Other Information—Qualification of Experts” above 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 opinion and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above had any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe.

Taxation of Holders of H Shares

The [REDACTED], [REDACTED] and [REDACTED] of H Shares are subject to Hong Kong stamp duty if such [REDACTED], [REDACTED] and [REDACTED] is effected on the [REDACTED] of members of our Company, including in circumstances where such transaction is effect on the Stock Exchange. Intending holders of the H Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of [REDACTED] for, [REDACTED], holding or disposing of or [REDACTED] in the H Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [REDACTED] will accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their [REDACTED] for, [REDACTED], holding or disposal of or [REDACTED] in the H Shares or exercise of any rights attaching to them.

No Material and Adverse Change

Our Directors confirm that there has been no material and adverse change in the financial or [REDACTED] position of our Group since September 30, 2025.

Binding Effect

This document shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Related Party Transactions

Our Group entered into certain related party transactions within the two years immediately preceding the date of this document as mentioned in Note 33 to the Accountants’ Report in Appendix I to this document.

Restriction on Share Repurchases

See Appendix V to this document for details.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Miscellaneous

- (1) Within the two years immediately preceding the date of this document:
 - (i) save as disclosed in the section headed “History, Development and Corporate Structure”, no share or loan capital of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Group is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) save as disclosed in the section headed “[REDACTED],” no [REDACTED], discounts, [REDACTED] or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Group; and
 - (iv) save as disclosed in the section headed “[REDACTED],” no [REDACTED] has been paid or is payable for [REDACTED], agreeing to [REDACTED], procuring [REDACTED] or agreeing to procure [REDACTED] for any share in or debentures of our Company.
- (2) There are no founder, management or deferred shares or any debentures in our Group.
- (3) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.
- (4) Our Company has no outstanding convertible debt securities or debentures.
- (5) There is no arrangement under which future dividends are waived or agreed to be waived.
- (6) Save as disclosed in the section headed “History, Development and Corporate Structure,” none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (7) All necessary arrangements have been made to enable the H shares to be admitted into [REDACTED] for clearing and settlement.
- (8) No company within our Group is presently listed on any stock exchange or traded on any trading system.

Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in the section headed “Appendix VI—Statutory and General Information—Further Information about Our Business—Summary of Material Contracts” in this document; and
- (b) the written consents referred to in the sub-section headed “Appendix VI—Statutory and General Information—Other Information—Consents of Experts” in this document.

2. 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.hbn.cn during a period of 14 days from the date of this document:

- (a) the Articles of Association of the Company;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of our Company for [REDACTED];
- (d) the report from Ernst & Young on the unaudited [REDACTED] financial information, the text of which is set out in Appendix II to this document;
- (e) the PRC legal opinion issued by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of certain aspects of our Group;
- (f) the material contracts referred to in the section headed “Appendix VI—Statutory and General Information—Further Information about Our Business—Summary of Material Contracts” in this document;
- (g) the written consents referred to in the section headed “Appendix VI—Statutory and General Information—Other Information—Consents of Experts” in this document;
- (h) the service contracts and the letters of appointment referred to in the sub-section headed “Appendix VI—Statutory and General Information—Further Information about Our Directors and Substantial Shareholders—Service Contracts and Letters of Appointment” in this document;
- (i) CIC report;
- (j) the PRC Company Law, the PRC Securities Law, and the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, together with their unofficial English translations; and
- (k) the terms of Pre-[REDACTED] Share Incentive Scheme.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

3. DOCUMENT AVAILABLE FOR INSPECTION

A copy of a full list of all the grantees with outstanding options under the Pre-[REDACTED] Share Incentive Scheme will be made available for public inspection at our Company’s Hong Kong legal advisor’s office in Hong Kong at 14/F, One Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.