

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document in connection with our Group and our business. The meaning of these terms may not necessarily correspond to standard industry meaning or the usage of these terms.

“BRC”	British Retail Consortium, an organization that provides a framework for quality and safety standards
“CAGR”	compound annual growth rate
“color cosmetics”	products that can enhance or alter the appearance of the face or body, color cosmetics in this document excluding maternal and child- and male-specific products
“cosmetics”	skincare, personal care, color cosmetics and other products designed to beautify, enhance, and improve facial and bodily appearance
“domestic cosmetics brands”	cosmetics brands owned by companies headquartered in China
“drop shipping”	an order fulfillment method where a consumer places an order through the online portal of the Cloud Store System from a retail sales points and then has the orders shipped directly from the Company’s warehouses to the consumer’s address, without the retail sales points holding stock locally
“DTC”	direct-to-consumers, an approach encompassing a wide range of retail formats that facilitate direct interaction with consumers
“fermentation”	a biological process carried out by mass culture of micro-organisms to produce desired products
“GMPC”	Good Manufacturing Practice Certificate, demonstrating the compliance with guidance and standard of Good Manufacturing Practice for manufacturing, testing and quality assurance of products
“HACCP”	Hazard Analysis and Critical Control Points, a risk management system involving analyzing and controlling potential biological, chemical, and physical hazards in cosmetic product manufacturing to ensure consumer safety
“HiMurchaSin”	also known as the “polar yeast” HiMurchaSin, a proprietary yeast ingredient developed by the Company for use in its products
“impressions”	the number of times an advertisement is displayed to users within a specified time frame
“international cosmetics brands”	cosmetics brands owned by companies headquartered outside of China

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“intra-city retail business”	retail operations conducted within the same city, often involving the sale of goods through physical or online stores with delivery and services localized to that specific urban area
“ISO”	the international organization for standardization, a worldwide federation of national standards bodies
“ISO22716”	a standard published by the international organization for standardization, which provides guidance on good manufacturing practices for cosmetic products
“ISO27001”	a standard published by the international organization for standardization, which provides guidance on managing and protecting company and customer information
“ISO9001”	the internationally recognized quality management system standard published by the international organization for standardization
“IT”	information technology
“kg”	kilogram, a unit of weight equal to 1,000 grams
“KOL(s)”	key opinion leader(s), person(s) who have expert knowledge and influence in a respective field
“LacSherTongba”	an ingredient of extremophile probiotic lactobacillus developed by the Company for use in its products
“mass-market cosmetics brands”	cosmetics brands offering products predominantly with a retail price of under RMB300.0
“maternity and childcare”	product that provides specifically for pregnant women and children (under 12 years old) for skin and personal care
“men’s care”	cosmetics products specifically formulated for male consumers
“MES”	manufacturing execution system, one of our IT systems
“microbial fermentation”	a process used in the production of ingredients for cosmetics, involving the use of microorganisms to break down substances
“natural ingredient”	compounds derived from the plant, mineral, animal or microbial kingdom through physical processes
“ODM”	original design manufacturing, where a manufacturer designs and manufactures a product which is specified by the customer and eventually sold under the brand name of the customer or under no specific brand

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“OEM”	original equipment manufacturing, where a manufacturer manufactures a product in accordance with the customer’s design and specifications and is marketed and sold under the customer’s brand name or under no specific brand
“personal care”	product that can clean the skin, hair and others, personal care in this document excluding maternal and child- and male-specific products
“plant freeze-drying”	a process that preserves the biological and structural integrity of plant materials for use in cosmetics
“plant tissue culture technology”	growing plant cells in sterile conditions for cloning, breeding or conservation
“R&D”	research and development
“repurchase rate”	the ratio of consumers making two or more purchases within a specific timeframe to those making at least one purchase within the same timeframe
“retail sales”	the monetary value paid by final consumers on purchasing finished goods
“retail sales points”	offline locations where consumer goods are sold directly to the public, such as stores, shops and counters
“SAP”	systems, applications and products, one of our IT systems
“scaled brand(s)”	refers to brands with retail sales over RMB100 million
“Six Senses and Six Properties”	an internal quality standard ensuring products meet six sensory aspects, namely taste, sight, touch, smell, hearing, and intuition, and six core product characteristics, namely regulatory compliance, safety, mildness, efficacy, stability, and compatibility
“skincare”	product that can improve skin integrity, provide relief to skin conditions, and address specific skin concerns such as acne and dark spots, skincare in this document excluding maternal and child- and male-specific products
“SKU(s)”	stock keeping unit(s), product model that encompasses all its variants, such as color and size
“sq.m.”	square meter, a unit of area measurement
“WMS”	warehouse management system, one of our IT systems