An [**REDACTED**] *in our Shares involves significant risks. You should carefully consider all the information in this document, including the risks and uncertainties described below, before making an* [**REDACTED**] *in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the* [**REDACTED**] *of our* [**REDACTED**] *could decline, and you may lose all or part of your* [**REDACTED**]. *These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth depend on industry developments and consumer demand for our products. Any failure to respond timely to fast-evolving industry trends and consumer preferences, or to expand or retain our existing customer base may materially and adversely affect our business, financial condition and results of operations.

We operate in the cosmetics industry in China, which has experienced steady growth in recent years. According to Frost & Sullivan, the market size of the cosmetics industry in China by retail sales grew from RMB779.4 billion in 2019 to RMB934.6 billion in 2024 with a CAGR of 3.7%. However, the prospects for the industry may be influenced by a number of factors beyond our control, such as rapid changes in consumer preferences, market trends, consumer income or legal and regulatory frameworks.

We cannot assure you that our efforts to comprehend consumer preferences and stay abreast of market trends will always be effective. If we are unable to predict and appropriately respond to consumer preferences or market trends, we may fail to continuously develop and launch products with wide market acceptance, capture emerging growth opportunities, adopt competitive sales strategies for our existing products, or properly predict and manage our inventory. Such failure could also negatively impact our brand image and result in diminished customer experience and brand loyalty. Any of these occurrences could materially and adversely affect our business, financial condition and results of operations.

Our attempts in developing, launching and promoting new brands and products may not be successful.

We currently operate five major cosmetics brands including our flagship brand CHANDO, as well as Biorrier (珀芙研), MAYSU (美素), Spring Summer (春夏) and Imine (已出). We are committed to continuously optimizing our brand and product portfolio to create long-lasting value for consumers. However, we cannot assure you that we could successfully launch new products or brands as anticipated or at all, or that the consumers will be receptive to our new products and brands. Additionally, the launch of new brands bears inherent risks, such as those relating to incorrect judgments regarding consumer preferences, market demand and new brand image and pricing. Even if we are able to launch new products or brands, it may take time for new products and brands to gain market acceptance. Failure to diversify our products and brands may lead to decreased profit margins, loss of market share and reliance on existing products. In addition, the launch of new brands and products may potentially lead to a decline in sales of certain existing products. Product innovation could also exert pressure on our workforce and financial resources, including expenses related to product development, marketing, and advertising that may not be offset by adequate sales. As a result, our business, financial condition and results of operations could be materially and adversely affected.

If we fail to attract, recruit and retain R&D talent, or our R&D efforts do not generate expected outcomes, our business, financial condition and results of operations may 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 December 31, 2025, our R&D team comprised 163 experienced personnel, of whom over 40% held a master's degree or above. In 2023, 2024 and 2025, our research and development expenses were RMB93.8 million, RMB91.2 million and RMB106.2 million, respectively. However, given the high demand and intense competition for skilled personnel in the cosmetics industry, we cannot assure our capacity to attract, recruit and retain proficient R&D personnel. Such failure may hinder our capability to continually develop advanced technologies, cultivate new brands and optimize product offerings, further materially and adversely affecting our business and prospects. In addition, we cannot assure you that our R&D efforts will yield the expected results. If our future R&D efforts fail to generate the expected outcomes, our products may lose their competitive advantage, and our business, financial condition and results of operations could be materially and adversely affected.

If we fail to compete successfully against our existing or potential competitors, our market share, prospects, business, financial condition and results of operations may be materially and adversely affected.

The domestic cosmetics industry in China is highly fragmented and characterized by intense competition. According to Frost & Sullivan, the top five domestic cosmetics groups collectively held a market share of 10.1% in terms of retail sales in 2024. We face competition from numerous existing and potential market participants, including established international and domestic brands, new market entrants, as well as companies with diversified product offerings or stronger financial resources. If we are unable to compete successfully, our market share and growth prospects may decline, which could materially and adversely affect our business, financial condition and results of operations.

Product quality is core to our business. Any quality issues related to our products could result in a loss of customers and may subject us to product liability claims.

Our reputation and customer trust rely on the consistent quality of our products. Any compromise in product quality or the occurrence of side effects, whether due to production defects, supply chain issues, or inadequate quality control measures, could significantly impact our brand image, customer loyalty and market position. As we continue to innovate and expand our product offerings, we may encounter unforeseen quality issues related to new materials, formulations, technologies or production processes. The failure to detect, prevent or control such issues, or the delivery of defective products to consumers, may result in adverse reactions, personal injuries, product recalls, license revocation, regulatory fines, product liability claims or other liabilities. Any of these events could lead to customer loss, significant legal costs and reputational damage, and could materially and adversely affect our business, financial condition and results of operations.

In addition, we are subject to a number of health and safety laws and regulations pertaining to quality 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 Circulation of Cosmetics (《化妝品生產經營監督管理辦法》), Safety and Technical Standards for Cosmetics (Version 2015) (《化妝品安全技術規範(2015年版) and 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》). See "Regulatory Overview — Regulations Relating to Cosmetics." The effectiveness of our internal controls over product quality and safety is subject to various factors. Any contamination, hazards or personal injury during testing, development or production may expose us to product liability claims, damages and remediation costs. In addition, increasing regulatory requirements relating to environmental protection, fire control, health and safety may result in higher compliance costs, and any non-compliance could lead to fines, penalties or other sanctions. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Any failure to execute effective sales and marketing strategies or adjust such strategies according to market changes may materially and adversely affect our business, financial condition and results of operations.

Our growth depends on our ability to design and implement effective sales and marketing strategies to attract and retain customers, strengthen brand recognition and expand market share. In particular, success in the cosmetics industry in China requires timely adjustment of strategies in response to evolving consumer preferences, shifting market trends, rapid digitalization of sales channels and increasing competition in both online and offline markets. We have invested considerable resources in promoting our brands and products. In 2023, 2024 and 2025, our selling and marketing costs were RMB2,406.0 million, RMB2,716.6 million and RMB3,044.4 million, respectively, accounting for 54.2%, 59.0% and 57.2% of our total revenue in each respective period. If our sales and marketing initiatives are not effectively executed, fail to resonate with our target customers or are not adapted quickly to market changes, we may be unable to maintain our brand image, achieve desired returns on marketing expenditures or sustain customer loyalty.

We rely on both in-house and external key opinion leaders ("KOLs") to promote our products and engage consumers, and the effectiveness of such marketing depends on their influence, credibility and alignment with our brand positioning. Any decline in KOL influence, difficulty in attracting or retaining suitable KOL partners, or negative publicity involving KOLs may reduce the effectiveness of our marketing efforts. In addition, increased reliance on online platforms and social media, as well as expansion into new or untested sales channels, involves higher execution and regulatory risks. Any failure to effectively execute these initiatives may result in inefficient resource allocation, reduced marketing efficiency and lost business opportunities, which could materially and adversely affect our business, financial condition and results of operations.

Any failure to effectively manage our supply chain may materially and adversely affect our business, financial condition and results of operations.

Our ability to successfully manage our supply chain is crucial to our operational efficiency and business performance. Our supply chain may be affected by risks such as logistical inefficiencies, quality issues, delivery delays, regulatory non-compliance, supplier insolvency and fluctuations in raw material costs driven by factors beyond our control. Any failure to mitigate these risks could impair our ability to meet consumer demand, maintain competitiveness and achieve our business objectives, and could materially and adversely affect our business, financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights, and may be subject to intellectual property infringement claims, which could be expensive and may materially and adversely affect our business, financial condition and results of operations.

Our patents, trademarks, brand names, trade secrets and know-how related to our ingredients, formulas and products are material to our success and market position. As of the Latest Practicable Date, we had 256 patents and 150 pending patent applications in China and other jurisdictions, and had published over 220 scholarly articles. We cannot assure that our intellectual property protection measures are adequate. Any infringement, unauthorized use, counterfeiting or imitation of our intellectual property or products could damage our brand reputation and weaken our competitive position. Enforcement of our intellectual property rights may be difficult, costly and time-consuming, and legal proceedings may divert resources and may not result in effective or recoverable remedies. In addition, we may be subject to claims of infringement of third-party intellectual property rights, which could lead to costly litigation, management distraction, licensing obligations or restrictions on the use of relevant technologies. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We are subject to the risks in relation to our retailers and distributors.

Our success partially depends on the performance of our retailers and distributors and our ability to maintain long-term relationships with them. In 2023, 2024 and 2025, our revenue generated from sales to retailers and distributors collectively accounted for 55.1%, 46.3% and 42.9% of our total revenue, respectively. See "Business — Our Sales Network." However, we cannot assure you that we will be able to maintain our relationships with our key retailers and distributors in the future. Should any of the retailers and distributors substantially reduce their demand for our products or terminate the business relationship with us, or we fail to maintain favorable relationships or renew agreements with them on commercially acceptable terms, we may experience a decline in our sales. In addition, any significant changes in their business strategies, operational issues or decreased consumer traffic, or any significant underperformance in maintaining or sourcing additional orders may materially and adversely affect our business performance. Although we require distributors and retailers to comply with distribution agreements and sales policies, we cannot assure their full compliance or our timely detection of non-compliant conduct. Our measures to monitor sales performance and mitigate risks relating to channel stuffing, recoverability of accounts receivable and channel cannibalization may not be effective. If our distributors and retailers fail to effectively promote and sell our products or act inconsistently with our business strategy, our brand image, reputation, business, financial condition and results of operations could be materially and adversely affected.

We rely on third-party online platforms to 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, financial condition and results of operations may be materially and adversely affected.

We rely on third-party online platforms including Tmall, Douyin, JD.com, Pinduoduo, Kuaishou, Xiaohongshu, Vipshop, Meituan, Dewu and Weixin video channels for online sales of our products. See "Business — Our Sales Network — Online Channels." In 2023, 2024 and 2025, revenue generated from our online directly-operated stores was RMB1,956.7 million, RMB2,436.4 million and RMB3,002.6 million, respectively, accounting for 44.1%, 53.0% and 56.5% of our total revenue in each respective period. Any interruption to the services or operations of such platforms, deterioration or termination of our cooperation with them, increased cooperation costs, or their failure to attract and retain users could materially and adversely affect our results of operations. In addition, any negative publicity or public perception regarding these platforms, including allegations of non-authentic, counterfeit or defective goods sold thereon, whether substantiated or not, may reduce platform traffic and consumer demand for our products, thereby adversely affecting our business and results of operations.

We are subject to various risks relating to third-party payments.

During the Track Record Period, there were occasional instances where a handful of customers settled payments through third parties designated by them ("Third-Party Payors") who were not parties to the corresponding sales and purchase agreements. See "Business — Our Customers." However, we cannot assure you that such risks will not materialize in the future. We may be exposed to potential claims from Third-Party Payors for return of funds on the ground that they were not contractually indebted to us, or from their liquidators in case of insolvency. If any such claims or legal proceedings (whether civil or criminal) are brought against us, we may be required to expend significant financial and managerial resources to defend ourselves, and our business, financial condition and results of operations may be adversely affected.

We are susceptible to consumer complaints due to the subjective nature of skin and personal care product satisfaction.

Our business is significantly reliant on the consistent satisfaction of our consumers with our products. Consumer preferences in our industry are highly subjective and can vary widely among individuals. Consumer perceptions of product performance, scent and functionality vary across individuals, creating an inherent risk of complaints or negative feedback if products do not meet personal expectations. A significant volume of such complaints or negative reviews could adversely affect our brand reputation, sales and financial condition.

Any significant disruptions to our production activities and collaborations with ODM and OEM suppliers may materially and adversely affect our business, financial condition and results of operations.

Our production activities are central to the timely delivery of high-quality products to our customers. As of the Latest Practicable Date, we had four production bases in operation in Shanghai and Linzhi, Xizang, covering raw material to finished product production. Our operations may be disrupted by equipment failures, labor issues, supply shortages, natural disasters, pandemics or other unforeseen events, which could delay production, increase costs and harm our customer relationships, market share and reputation.

Furthermore, we collaborate with selected ODM and OEM suppliers to produce certain raw materials and products. In 2023, 2024 and 2025, our costs of raw materials and production related to ODM and OEM suppliers amounted to RMB129.9 million, RMB152.4 million and RMB152.1 million, respectively. We cannot assure that we and our existing ODM and OEM suppliers will have sufficient capacity to meet increasing demand for our products, which could result in delayed delivery and harm our market reputation and consumer relationships. Dependence on these external suppliers could expose us to capacity constraints, supply disruptions, quality issues and risks relating to regulatory non-compliance or confidential information leakage.

In addition, we plan to enhance our production capacity for raw materials as well as skincare, personal care and color cosmetics products by constructing new production facilities, upgrading equipment, expanding automated production lines, leveraging digitized production systems and implementing more efficient production management practices, depending on market demand. As a result, we may face risks in expanding our production capacity, including delays or failure in completing new facilities, insufficient demand to justify investments, and potential disputes with counterparties, any of which could hinder our ability to meet customer demand and materially and adversely affect our business, financial condition and results of operations.

We rely on a limited number of suppliers, which may subject us to supplier concentration risks.

During the Track Record Period, we relied on a limited number of suppliers for the procurement of materials and services, primarily including marketing services, labor outsourcing, logistics and warehousing services, as well as raw materials, packaging materials and equipment. Purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB954.4 million, RMB1,063.9 million and RMB1,247.9 million in 2023, 2024 and 2025, respectively, representing 29.0%, 29.1% and 30.2% of our total purchases for the same respective year. Purchases from our largest supplier in each year during the Track Record Period accounted for 11.1%, 11.7% and 14.8% of our total purchases in 2023, 2024 and 2025, respectively. See "Business — Our Suppliers."

Our reliance on a limited supplier base exposes us to risks including supply disruptions, price volatility and reduced bargaining power. Any operational, financial or regulatory issues affecting our major suppliers, or our inability to maintain stable relationships or secure alternative suppliers on a timely and cost-effective basis, could disrupt our production schedule and adversely affect product quality. As a result, dependence on a concentrated supplier base may materially and adversely affect our business, financial condition and results of operations.

Changes in our pricing policies may have a materially and adverse impact for our business.

We aim to provide consumers with cost-effective, high-quality cosmetics products with value for money. However, we cannot guarantee that our pricing strategies will remain competitive for our products in the market. Inaccurate market research or demand forecasting may result in underpricing that compresses profit margins or overpricing that reduces sales volume and revenue, and we may need to lower prices to clear excess inventory. Such price reductions may not increase sales as we anticipate, potentially resulting in a lower overall gross profit margin.

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

We maintain a certain level of inventory for our products to ensure prompt delivery when required. As of December 31, 2023, 2024 and 2025, we had inventories of RMB488.1 million, RMB439.7 million and RMB475.7 million, respectively. In 2023, 2024 and 2025, our inventory turnover days were 134.2 days, 120.5 days and 107.0 days, respectively. Our inventory levels are determined based on procurement schedules, inventory shelf life, consumption patterns, historical sales, forecasts and market demand. However, such forecasts may be inaccurate due to factors beyond our control. Any failure to effectively balance demand forecasting and inventory management could materially and adversely affect our business, financial condition and results of operations.

We are exposed to the risks relating to third-party warehouses and logistics service providers.

Our business operations involve the use of third-party service providers to provide warehousing and delivery services. In 2023, 2024 and 2025, our warehousing and logistics expenses amounted to RMB107.5 million, RMB125.1 million and RMB145.7 million, respectively. See "Business — Procurement, Inventory and Logistics Management." We select such service providers based on their reputation, scale of operation, track record and service fee rate. However, our dependence on such third-party service providers exposes us to risks that could arise from their failure to adequately store or timely and properly distribute our products. Any failure by such providers to fulfill contractual obligations, or any disruption to their operations due to financial, regulatory or other adverse developments, could impair our ability to deliver products in a timely and cost-effective manner, resulting in customer dissatisfaction, loss of sales and potential harm to our market reputation.

Our delivery, return and exchange policies may adversely affect our results of operations.

Our commitment to timely delivery is subject to various factors beyond our control, such as logistical issues, disruptions in transportation due to adverse weather conditions or other unforeseen circumstances. Any significant delays in delivery could lead to customer dissatisfaction, potential loss of sales, and damage to our reputation.

In addition, we have established return and exchange policies in accordance with industry practice, relevant platform policies and applicable laws and regulations. However, our return and exchange policies could lead to increased costs and operational complexities. 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. High return or exchange rates could indicate quality issues with our products, leading to reputational damage and potential loss of market share. Additionally, managing returns and exchanges requires efficient logistics and inventory management, and any inefficiencies could lead to additional costs and operational disruptions.

Our sales volume may fluctuate due to seasonality.

Our results of operations are subject to seasonal fluctuations in demand driven by consumer spending patterns, with higher sales typically recorded during major shopping festivals and holidays such as the 618 Shopping Festival, Double Eleven and Double Twelve shopping festivals, National Day holiday and the New Year holiday. As these seasonal patterns are expected to continue, period-to-period comparisons within or across financial years may not be meaningful and should not be relied upon as indicative of our future results of operations.

Our digitalized are crucial to our business operations. Any significant disruption to our digitalized systems may interrupt our normal business operations.

Our business operations rely on our digitalized systems, including the CMMS and other systems for membership management, supply chain management and sales management. See "Business — Our Digitalized Operations." Any system failures, data inaccuracies, cyber-attacks, data breaches and other security incidents could disrupt our operations, compromise our data, and result in significant remediation costs, legal liabilities, and reputational damage. Furthermore, our systems need to be regularly updated and upgraded which requires significant investment and may cause system disruptions or compatibility issues.

We rely on third-party vendors for certain IT services. In 2023, 2024 and 2025, we had information system maintenance costs of RMB7.1 million, RMB16.4 million and RMB15.2 million, respectively. Any failure of these vendors to meet their service obligations could impact the performance of our systems. Furthermore, any breach of contract or termination of services by these vendors could result in disruptions to the operation of our digitalized systems, additional costs and time delays associated with transitioning to a new vendor.

We depend on our key executives and employees to perform vital functions, and our business and growth prospects may compromise if we fail to attract, retain or motivate these key personnel for such responsibilities.

Our business operations and growth prospects rely on the skills, experience and performance of our key executives and employees who perform vital functions in various areas. Any loss of our key executive or employee, whether due to resignation, retirement, or other reasons, could disrupt our operations and impact our ability to execute our business strategies effectively. Our success also depends on our ability to attract, retain and motivate highly skilled personnel. The competition for such personnel is intense, and we may not be successful in our recruitment and retention efforts. Any failure to attract and retain the necessary talent could limit our growth prospects and operational capabilities. Additionally, any changes in our compensation policies or benefits could impact our ability to retain key personnel.

We recorded net current liabilities in the past, which may expose us to liquidity risks and could constrain our operational flexibility if they continue.

We recorded net current assets of RMB92.1 million as of December 31, 2023. As of December 31, 2024, we recorded net current liabilities of RMB247.3 million. As of December 31, 2025, we recorded net current assets of RMB320.7 million. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Net Current Assets and Liabilities." Net current liabilities expose us to liquidity risk. In addition, if we encounter any liquidity issues in the future, we may curtail or defer our business expansion plans based on the availability of sufficient funds. If we continue to record net current liabilities in the future, it could limit our working capital for operations or business expansion plans, and materially and adversely affect our business, financial position and results of operations. capital requirements or to fund our expansion plans. There can be no assurance that such financing will be available to us on acceptable terms, or at all. If we are unable to generate positive cash flows or obtain external financing, we may need to curtail our operations or reduce our business ambitions, which could have a material adverse effect on our financial condition and results of operations.

We may be exposed to credit risk and impairment loss risks associated with our trade and other receivables and prepayments.

Our trade and other receivables and prepayments comprised trade receivables and prepayments to suppliers. We had trade and other receivables and prepayments of RMB322.8 million, RMB279.8 million and RMB375.1 million as of December 31, 2023, 2024 and 2025, respectively, and recorded provision for impairment of trade receivables of RMB12.5 million, RMB4.1 million and RMB6.3 million as of the same dates, respectively. In 2023, 2024 and 2025, our trade receivables turnover days were 11.7 days, 12.6 days and 11.3 days, respectively.

Although we generally require advance payment from customers, we extend credit terms of up to 90 days to certain retailers and distributors with established relationships. Any failure by customers to settle payments on a timely basis, customer defaults or financial difficulties, or suppliers' failure to deliver goods or services despite receiving prepayments, could increase our credit and impairment risks, adversely affect our cash flow and working capital, and materially and adversely affect our business, financial condition and results of operations.

We may not be able to fulfill our obligation in respect of contract liabilities, which may adversely affect our business, financial condition and results of operations.

As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB390.9 million, RMB229.1 million and RMB186.9 million, respectively. Failure to perform our contractual obligations may result in refund obligations, loss of revenue and deterioration of customer relationships, which could materially and adversely affect our business, financial condition and results of operations.

Any reduction or discontinuation of government grants may adversely affect our financial condition and results of operations.

We have received government grants and subsidies from time to time. The availability, amount and timing of such grants are subject to the discretion of the relevant PRC government authorities and may be affected by changes in government policies, fiscal budget allocations, industry priorities and the results of periodic assessments of our eligibility. In 2023, 2024 and 2025, our government grants amounted to RMB27.0 million, RMB11.9 million and RMB61.4 million, respectively. There is no assurance that we will continue to receive these grants at comparable levels or at all, and any reduction, suspension or discontinuation could adversely affect our financial condition, results of operations and ability to pursue growth initiatives.

We may be exposed to liquidity risk due to a long cash conversion cycle.

We had recorded relatively long inventory turnover days, which may lead to delays in converting our revenue into cash. Our cash conversion cycle was 110.0 days, 91.8 days, and 73.5 days for 2023, 2024 and 2025, respectively. The cash conversion cycle is calculated by adding inventory turnover days and trade receivables turnover days, then subtracting trade payables turnover days. The improvement in 2025 was primarily attributable to our continued focus on enhancing cash flow efficiency through strengthened supply chain coordination and more effective inventory management. There can be no assurance that similar performance can be sustained in future periods. A long cash conversion cycle may increase our reliance on working capital or external financing to support our operations and growth. If we are unable to manage our inventory and receivables efficiently or to secure adequate financing on acceptable terms, our liquidity position, financial condition and results of operations could be materially and adversely affected.

Any concern about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data, could subject us to potential liabilities.

Our business operations involve the collection, use, storage, retention, transfer, disclosure and other processing of data. We collect certain consumer data during the ordinary course of business, mainly including phone numbers, account names, delivery addresses and purchase records. See "Business — Data Privacy and Security." Accordingly, our business operations are subject to various data privacy and security laws, including the Data Security Law of People's Republic of China (《中華人民共和國數據安全法》), the Cybersecurity Review Measures (2021) (《網絡安全審查辦法(2021)》) and the Personal Information Protection Law (《個人信息保護法》). See "Regulatory Overview." Evolving data protection and cybersecurity requirements may increase compliance costs and expose us to potential liabilities, reputational damage and loss of customer trust.

Laws and regulations related to marketing activities carried out by KOLs may impose additional requirements and obligations on our operations.

We engage in marketing activities through KOLs. As of December 31, 2023 and 2024, and 2025, we had 52, 66 and 98 in-house KOLs, respectively, and collaborated with approximately 11,852, 10,558 and 13,611 external KOLs, respectively. See "Business — Marketing and Branding — Online Marketing." PRC regulations governing online marketing and advertising, including KOL-driven promotions, impose requirements on truthfulness, transparency and disclosure, and may hold advertisers jointly liable for non-compliant content. Any violations by the KOLs we engage, whether in-house or external, could subject us to regulatory scrutiny, administrative penalties and reputational harm. Further regulatory tightening may also increase compliance costs, constrain marketing flexibility or reduce the effectiveness of KOL-based promotions, which could materially and adversely affect our business, financial condition and results of operations.

Our risk management and internal control systems may not be adequate or effective.

Our risk management system has inherent limitations and may not be effective in identifying or mitigating all risks, particularly in the event of significant changes in external conditions or new business initiatives that give rise to unforeseen risks. In addition, the effectiveness of our risk management depends on proper implementation by our employees, which may be affected by human error or misconduct. Any failure to timely identify or manage risks could materially and adversely affect our business, financial condition and results of operations.

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

We maintain various insurance policies based on our operational needs and industry standards. See "Business — Insurance." However, we cannot assure that such coverage is sufficient or that claims can be successfully or timely recovered, if at all. Any uninsured losses or insufficient compensation could materially and adversely affect our business, financial condition and results of operations.

We may face risks related to our properties.

As of the Latest Practicable Date, we leased 19 properties in China which were primarily used for office spaces, production facilities and warehouses. We cannot assure that such leases can be renewed on acceptable terms or at all. Any failure to renew these leases may require us to close or relocate operations, and we may incur relocation costs, revenue loss or operational disruptions, which could materially and adversely affect our business, financial condition and results of operations.

Under the applicable PRC laws and regulations, property lease agreements are required to be registered with the relevant competent authorities in the PRC. As of the Latest Practicable Date, 18 of our lease agreements have not been registered with relevant competent authorities, primarily due to the relevant landowners' failure to register such leases. As advised by our PRC Legal Advisor, the failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed within the prescribed timeframe. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

We face risks relating to labor disputes, labor shortages, increases in labor costs and labor law compliance.

Our success depends in part on our ability to hire, train, retain and motivate our employees and any deterioration in labor relations, labor shortages or rising labor costs could disrupt operations and impair our business performance. In 2023, 2024 and 2025, our total employee benefit expenses amounted to RMB582.9 million, RMB621.3 million and RMB660.8 million, respectively. Workplace safety incidents or occupational hazards may expose us to liabilities, regulatory scrutiny and reputational damage. If we are unable to control labor costs or mitigate these risks, our business, financial condition and results of operations could be materially and adversely affected.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

We are subject to labor laws and regulations in the PRC, including requirements to participate in various employee benefit plans such as certain social insurance, housing provident funds and other welfare-oriented payment obligations. During the Track Record Period, we did not make full contributions to social insurance for several Taiwan and foreign employees in accordance to their own preferences, and we had started to make social insurance contributions for these employees since the beginning of 2024. In addition, during the Track Record Period, we engaged a third-party human resource agency to pay social insurance and housing provident funds for certain employees primarily because some of our employees working in different cities across the nation prefer their social insurance and housing provident funds to be paid at their respective resident places for the convenience of utilizing such benefits locally. The accumulated shortfall of social insurance contributions amounted to approximately RMB0.35 million during 2023. We may be ordered to pay outstanding amounts within a prescribed time limit by relevant social insurance authorities and as a result, we may be subject to a late charge at the daily rate of 0.05% on the outstanding amounts from the date on which such amounts are payable. If such payment is not made within the prescribed period, the relevant social insurance authority may further impose a fine one to three times the amount of any overdue payment. For more details, see "Business — Employees." There can be no assurance that the competent authorities will not in the future require us to make additional contributions or impose penalties, which may increase our labor costs and adversely affect our business, financial condition and results of operations.

On July 31, 2025, the PRC Supreme People's Court promulgated the Interpretation II by the Supreme People's Court of the PRC on Legal Issues in the Trial of Labour 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)》) (the "New Judicial Interpretation"), which took effect on September 1, 2025. For more details, see "Regulatory Overview — Regulations Relating to Employment and Social Welfare." Our PRC Legal Advisor is of the view that the New Judicial Interpretation has neither repealed any existing laws relating to social insurance nor expanded the potential penalty exposure for the Group's compliance status in the payment of social insurance and housing provident fund as disclosed in "Business — Employees." Considering that we have completed all necessary rectifications regarding non-compliance with social insurance and housing provident funds, the New Judicial Interpretation is expected to have no material adverse effect on our business operations or financial results. In light of the aforesaid circumstances, we had not made any provision for the shortfall in our social insurance contributions during the Track Record Period. However, as PRC labor laws and regulatory guidance continue to evolve, we cannot assure how future developments may affect our operations. If we are deemed to have violated the relevant labor laws and regulations, we could be subject to related penalties, fines or legal fees, and our business, financial condition and results of operations could be materially and adversely affected.

We engaged third-party outsourcing service companies to provide services and personnel for certain non-core business functions in our operations, consequently, we exercise limited control over the outsourced personnel.

During the Track Record Period, we entered into outsourcing service agreements and did not have direct labor contracts with the outsourced personnel, resulting in limited control over their conduct. Any failure by such personnel to comply with applicable instructions, policies or guidelines may adversely affect our market reputation, brand image and results of operations. In addition, if the outsourcing service companies violate PRC labor laws or their employment agreements, the relevant personnel may assert claims against us due to services rendered at our workplaces, which could expose us to liabilities and materially and adversely affect our business, financial position and results of operations.

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

We advertise our brands and products through various online and offline channels, which are subject to applicable PRC laws and regulations. See "Business — Marketing and Branding." Under PRC advertising laws and regulations, we are required to ensure that the contents of our advertisements are in full compliance with applicable laws and regulations. Moreover, as Biorrier's product portfolio includes specialized medical dressings registered as medical devices, our marketing and promotion of medical devices, along with other cosmetics products, are subject to a number of PRC laws and regulations, including the 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》), the Regulation on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), and the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), among others. In particular, according to the Regulation on the Supervision and Administration of Medical Devices, as amended by the State Council on February 9, 2021 and effective June 1, 2021, and most recently amended on December 6, 2024, effective January 20, 2025, an enterprise engaging in the operations of Class II medical devices is required to obtain product filing with the food and drug supervision and administration departments of the city with districts where it is located. Although we have completed the required registrations, we remain subject to ongoing regulatory supervision and changes in laws and enforcement. Any non-compliance by us, our employees or third-party service providers may result in administrative penalties, civil claims, reputational damage and increased compliance costs, which could materially and adversely affect our business and results of operations.

We may be involved in lawsuits, claims, disputes, regulatory investigations or legal proceedings in our business.

We may from time to time be involved in litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of business. Any adverse outcome, settlement or negative publicity may require us to incur significant costs, assume liabilities or suspend related business activities, and could materially and adversely affect our reputation, business and results of operations.

We may not be successful in implementing our expansion strategies.

We have strategic plans to enhance our presence in China's cosmetics market and expand our international presence, as well as optimize and expand our sales channels and further enhance our R&D capabilities. In particular, we plan to strengthen the market penetration of our existing brands and broaden our product portfolio, upgrade our integrated sales network with an emphasis on DTC capabilities, enhance our R&D and in-house production of core ingredients through deeper collaboration with research institutions and the establishment of new R&D facilities, advance our digital operation systems including the CMMS and Cloud Store System, and further expand our reach in overseas markets through cooperation with global partners and major international e-commerce platforms. See "Business — Our Strategies." The execution of our expansion strategies requires significant resources and management attention and involves additional regulatory and operational risks. We may face challenges such as intensified competition, market entry difficulties, uncertain consumer acceptance, higher costs and talent constraints, as well as regulatory, cultural, logistical and foreign exchange risks in overseas markets. Any failure to effectively implement our expansion plans could limit the expected benefits and materially and adversely affect our growth prospects, business, financial condition and results of operations.

Our acquisition activities and other strategic transactions may present managerial, integration, operational and financial risks, which may prevent us from realizing the full intended benefit of the acquisitions and other transactions we undertake.

We may pursue collaborations, investments or acquisitions to strengthen our market position. However, such growth depends on our ability to identify, finance, complete and integrate suitable opportunities, obtain required regulatory approvals and manage related costs and uncertainties. Investments and acquisitions may also divert management attention, increase liabilities and expenses, involve unforeseen risks and integration challenges, and may not achieve the expected benefits or synergies. Any unsuccessful investments or acquisitions could materially and adversely affect our business, financial condition and results of operations.

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

Evolving environmental, social, and governance ("ESG") related laws and regulations may require increased compliance efforts and costs, and we cannot assure that our risk management measures will effectively address all related risks. Any changes to existing ESG requirements or the introduction of new regulations, or our failure to comply with them, could adversely affect our business, financial condition and results of operations.

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

Our Controlling Shareholders hold substantial voting power and may significantly influence our management, strategic decisions and other major corporate actions. Immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, our Controlling Shareholders will be interested in [**REDACTED**]% of the issued share capital of our Company. This concentration of control may discourage or prevent a change in control, potentially limit the ability of other shareholders to realize a premium on their Shares and adversely affect the [**REDACTED**] of our Shares. In addition, the interests of our Controlling Shareholders may differ from those of other shareholders, and their exercise of control could result in decisions that are not aligned with the best interests of all shareholders.

Our business may be materially and adversely affected by natural disasters, health epidemics and pandemics, and changes in social and economic conditions.

Our business could be materially and adversely affected by natural disasters, health epidemics and pandemics such as SARS, Ebola, Zika or COVID-19, acts of war, terrorism or other force majeure events, which may disrupt our supply chain, damage infrastructure, and hinder workforce productivity. Such events may cause production delays, inventory shortages, increased costs and operational disruptions, many of which are beyond our control, and could materially and adversely affect our business, results of operations and financial performance.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRIES AND REGIONS WHERE WE OPERATE

Changes in economic, regulatory, political and social conditions could have a material and adverse effect on our results of operations, financial performance and business prospects.

We are headquartered in Shanghai, China and currently most of our operations are conducted in China. Accordingly, our results of operations, financial performance and business prospects may be influenced by the economic, regulatory, political and social conditions in China. Changes in macroeconomic factors, government policies, consumer demand or discretionary spending affecting the cosmetics industry may materially and adversely affect our results of operations and business prospects.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas listings issued by PRC government authorities.

On February 17, 2023, 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") and their implementation guidelines. The Trial Measures, which came into effect on March 31, 2023, mainly provide the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. For more details, see "Regulatory Overview — Regulations relating to Overseas Listing."

If PRC regulatory authorities, including the CSRC, impose additional approval, filing or other regulatory requirements for future capital raising activities, we may be unable to obtain any required approvals or waivers on a timely basis or at all, which could materially and adversely affect our business, prospects, financial condition, reputation and the [**REDACTED**] of our Shares. In addition, regulatory actions could require or make it advisable for us to halt future capital raising activities prior to settlement and delivery, and investors engaging in trading before settlement would bear the risk that settlement and delivery may not occur.

It may be difficult to effect service of process upon us or our Directors who reside in Chinese Mainland, or to enforce foreign court judgments against us or them in Chinese Mainland.

We are an exempted company incorporated in the Cayman Islands with substantially all of our assets and certain Directors and senior management located in Chinese Mainland, which may make it difficult for investors to effect service of process or enforce foreign judgments against us or such persons. In addition, the lack of reciprocal recognition and enforcement of judgments in Chinese Mainland, and the fact that the Listing Rules and the Hong Kong Takeovers Code do not have the force of law and must be enforced by the Stock Exchange, may further limit shareholders' legal remedies.

Our operations are subject to and may be affected by changes in tax laws and regulations of the countries and regions where we operate.

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law") imposes a tax rate of 25% on business enterprises. Changes in PRC tax laws, regulations or preferential tax policies, or increases in our effective tax rate, may increase our tax liabilities. In addition, any non-compliance with PRC tax laws could result in penalties or fines, which may materially and adversely affect our business, financial condition and results of operations.

CHANDO Limited was accredited as a high and new technology enterprise ("HNTE") in 2020 and 2023 and was entitled to a preferential EIT rate of 15% during the Track Record Period. In 2023, 2024 and 2025, our income tax expense was RMB67.4 million, RMB21.1 million and RMB60.5 million, respectively, and our effective tax rate (calculated as income tax expense divided by profit before income tax) was 18.2%, 10.0% and 14.7%, respectively. Preferential tax treatments granted to us by PRC governmental authorities are subject to review and may be adjusted or revoked at any time in the future. We cannot guarantee that the preferential tax treatments to which

CHANDO limited is currently entitled will be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments, potentially with retrospective effect. The discontinuation of any of our current tax treatments could materially increase our tax obligations and adversely impact our net profit.

Under the EIT Law, an enterprise established outside the PRC with "de facto management bodies" within China is considered a "resident enterprise," meaning that it is treated in a manner similar to a Chinese enterprise for PRC EIT purposes. The implementing rules of the EIT Law define "de facto management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》國稅發[2009]82號), or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following conditions are met: (i) senior management personnel and departments that are responsible for daily production, operation and management are located mainly within China; (ii) financial and personnel decisions are subject to determination or approval by bodies or persons in China; (iii) key properties, accounting books, company seals, and minutes of board meetings and shareholders' meetings are located or kept within China; and (iv) at least half of the directors with voting rights or senior management reside within China. State Administration of Taxation of the PRC, or SAT, has subsequently provided further guidance on the implementation of Circular 82.

As a substantial portion of the operational management of our Company is currently based in the PRC, our offshore subsidiaries may be deemed to be "PRC resident enterprises" for the purpose of the EIT Law. If our offshore subsidiaries are deemed PRC resident enterprises, they could be subject to the EIT at 25% on their global income, except that the dividends they receive from our PRC subsidiaries, if any, may be exempt from the EIT to the extent that such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." Nonetheless, it remains subject to future interpretation as to what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. The EIT on our subsidiaries' global income could significantly increase our tax burden and affect our cash flows and profitability.

We are also subject to applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile. See "Financial Information — Descriptions of Major Components of Our Results of Operations — Income Tax Expense." Differences in tax regimes across jurisdictions and the complexity of tax regulations may expose our international operations to risks arising from overseas tax policy changes. Addressing such regulatory uncertainties may require additional management attention and resources, which could adversely affect our results of operations.

Our payment of dividends is subject to restrictions under applicable laws and regulations.

As a holding company, we rely on dividends and other distributions from our subsidiaries to meet our cash requirements, including debt servicing. Under PRC law, dividends may be paid only out of accumulated after-tax profits determined in accordance with PRC accounting standards, and each PRC subsidiary is required to set aside at least 10% of its after-tax profits for statutory reserves (up to 50% of registered capital), which are not distributable as cash dividends. In addition, debt incurred by our PRC subsidiaries may restrict their ability to make distributions to us. Any inability of our PRC subsidiaries to pay dividends or other payments could limit the capital available for our business development and growth. Furthermore, strengthened capital controls and increased scrutiny by SAFE over cross-border transactions under both the current and capital accounts may further restrict such payments, which could adversely affect our ability to grow, make investments or acquisitions, pay dividends or otherwise fund our operations.

Failure to comply with PRC regulations relating to the establishment of offshore special-purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or otherwise adversely affect us.

The SAFE has promulgated several regulations that require PRC residents and entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. Circular 37 was promulgated by the SAFE in July 2014 which requires PRC residents or entities to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents or entities and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents or entities who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident or entity who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested PRC residents and entities holding direct or indirect interests in our Company, to our knowledge, to complete the required foreign exchange registrations. However, we may not be fully aware of all Shareholders or beneficial owners who are PRC residents or entities, and we cannot assure that all such persons will timely comply with Circular 37 or other applicable requirements, including those of the NDRC and MOFCOM. Any non-compliance may subject us to fines or legal sanctions, restrict our domestic or cross-border investment activities, limit our subsidiaries' ability to make distributions or other payments to us, affect our ownership structure, and materially and adversely affect our business and prospects.

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

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or SAFE Circular 7, replacing the previous rules issued by the SAFE in March 2007. Under SAFE Circular 7 and other relevant regulations, PRC residents participating in stock incentive plans of overseas listed or non-listed companies are required to complete SAFE registrations and related procedures through a qualified PRC agent and an overseas entrusted institution, and such registrations must be updated upon any material changes. We and our PRC employees granted share options or restricted shares are subject to these requirements. Any failure to complete or update the required SAFE registrations may result in fines or legal sanctions and could restrict our ability to implement additional employee incentive plans under PRC law.

The SAT has issued rules governing employee share incentive plans, under which our PRC employees are subject to PRC individual income tax upon the exercise of share options or the grant of restricted shares. Our PRC subsidiaries are required to make relevant filings with tax authorities and withhold individual income taxes on behalf of such employees. Any failure by our employees to pay, or by us to withhold, the required taxes in accordance with applicable regulations may result in sanctions imposed by the relevant government authorities.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay our use of the [REDACTED] of the [REDACTED] to offer loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant government authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, the increasing of capital contributions to our PRC subsidiaries is subject to the reporting requirement to the MOFCOM or its local branches and registration with other government authorities in the PRC. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE or its local branches, and (ii) our PRC subsidiaries may not procure loans which exceed a statutory limit. We may not be able to complete such reporting or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such reporting or registration, our ability to use the [**REDACTED**] of the [**REDACTED**] and to capitalize our PRC operations may be adversely affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business. Furthermore, the [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, fluctuations in exchange rates may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**].

Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may materially and adversely affect our business, financial condition and results of operations.

We intend to pursue overseas expansions to scale up our business and enhance our global influence. See "Business — Our Strategies — Penetrating Domestic Market and Establishing Global Influence." Although we generate a substantial portion of our revenue from the PRC during the Track Record Period, there exists potential risks that, in light of our future expansion plans into overseas markets, our business operations and financial performance may be affected by international trade policies, geopolitical developments, trade protection measures, export controls, and economic or trade sanctions. International trade policies and geopolitical developments are subject to frequent change and uncertainty, which may affect trade agreements, tariffs, export controls and sanctions, increase our operating costs and restrict market access. In addition, evolving sanctions regimes and regulatory interpretations may increase compliance risks or result in penalties, reputational damage or restrictions on our ability to export products or conduct business in certain markets, which could materially and adversely affect our business and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and the liquidity and [REDACTED] of our Shares may be volatile.

Prior to the completion of the [**REDACTED**], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the [**REDACTED**]. The [**REDACTED**] is the result of negotiations between our Group and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), which may not be indicative of the [**REDACTED**] at which our Shares will be [**REDACTED**] following the completion of the [**REDACTED**]. The [**REDACTED**] of our Shares may drop below the [**REDACTED**] at any time after the completion of the [**REDACTED**].

The liquidity, trading volume and [REDACTED] of our Shares following the [REDACTED] may be volatile, which could result in substantial losses to you.

The [**REDACTED**] and [**REDACTED**] of our 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. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price and trading volume of our Shares. In addition to market and industry factors, the [**REDACTED**] and [**REDACTED**] of our 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 the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and substantial dilution and may experience further dilution 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. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to Shareholders after the creditors' claims. In order to expand our business, we may consider [**REDACTED**] and issuing additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to any existing or future share option incentive scheme, which would further dilute our Shareholders' interests in our Company.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you that we will declare and distribute any amount of dividends in the future. If we do not pay dividends in the foreseeable future after the [REDACTED], you must rely on price appreciation of our Shares for a return on your [REDACTED].

We cannot assure you when and in what form dividends will be paid on our Shares after the [**REDACTED**]. The declaration and distribution of dividends is at the complete discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make/can make dividend payments on our Shares in the future. See "Financial Information — Dividend and Dividend Policy."

If we retain most, or all, of our available funds and any future earnings after the [**REDACTED**] to fund the development and launch of our new products we may not expect to pay any cash dividends in the foreseeable future. Therefore, you may not be able to rely on an [**REDACTED**] in our Shares as a source for any future dividend income.

Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our financial condition, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our

Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [**REDACTED**] or even maintain the price at which you purchased the Shares. You may not realize a return on your [**REDACTED**] in our Shares and you may even lose your entire [**REDACTED**] in our Shares.

Future sales or perceived sales of substantial amount of our Shares in the public market, especially by our Directors, executive officers and substantial Shareholders, could materially adversely affect the prevailing [REDACTED] of our Shares and our ability to raise capital in the future.

The [**REDACTED**] 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 of 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 Shares.

Certain facts, forecasts and other statistics contained in this document are derived from official government sources.

Certain facts, forecasts and statistics in this document relating to the PRC and global economy and the industry in which we operate are obtained from official government sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information from official government sources has not been independently verified by our Group, the Joint Sponsors, the [**REDACTED**] or any other party involved in the [**REDACTED**] and no representation is given as to its accuracy. You should carefully consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

We are a company registered in Cayman Islands, which may cause you difficulties in protecting your shareholder rights, effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management based on foreign laws.

Our corporate affairs are governed by our Memorandum and Articles, together with the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See "Appendix IV — Summary of the Constitution of the Company and the Company Laws of the Cayman Islands." As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management or Directors, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such Shareholders are located.

Forward-looking information in this document is subject to risks and uncertainties.

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

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

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this document.

Prior to the completion of the [**REDACTED**], there may be press and media coverage regarding our Group and the [**REDACTED**]. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to [**REDACTED**] our Shares, prospective investors should rely only on the financial, operational and other information included in this document.