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OVERVIEW

We are a strategy-driven, multi-brand cosmetics company in China. Since our inception in 2001, we have adeptly seized the opportunities arising from the expansion of China’s cosmetics industry by accurately predicting and addressing the growing beauty demand of consumers.

We primarily offer products targeting the mass market. Being a subset of the overall cosmetics market in China, the mass-market segment — mainly referring to the market segment for products priced below RMB300.0 — accounted for 81.4% of the total cosmetics market in terms of retail sales in 2024 and is projected to grow at a CAGR of 6.8% to RMB1,054.8 billion in 2029, according to Frost & Sullivan. The mass-market segment’s resilience and momentum are driven by a nationwide shift toward pragmatic spending and value-for-money products, creating a vast and expanding arena for brands that can deliver quality, efficacy and affordability at scale.

China’s domestic cosmetics industry is highly fragmented, with the top five market players collectively accounting for only 10.1% of total retail sales in 2024, indicating substantial headroom for growth for established mass-market brands such as ours. According to Frost & Sullivan, by retail sales in 2024, we ranked tenth in the overall cosmetics market in China (including international brands) with a market share of 0.8%, and ranked as China’s third-largest domestic cosmetics group with a market share of 1.7%.

As one of the few domestic cosmetics companies operating for over 20 years, we have remained true to our founding mission and demonstrated resilience through industry cycles. In terms of brand and product development, we have developed three defining features — Himalayan inspiration, oriental aesthetics and product innovation — which distinguish us from our peers. These features have allowed us to form key competitive advantages by achieving comprehensive industry chain deployment, digital operations and online-offline integrated sales coverage. Being a household name known in China for integrity, reliability and innovative product development expertise, we have cultivated a reputable and favorable brand image among consumers.

Our Brands

We launched our flagship brand CHANDO in 2001, establishing the cornerstone of our brand portfolio. Over the past two decades, CHANDO has grown into one of the most widely recognized brands in China’s cosmetics industry, celebrated for its modern interpretation of oriental aesthetics and skincare philosophy. By retail sales in 2024, CHANDO ranked as China’s second-largest domestic cosmetics brand, according to Frost & Sullivan.

To seize the expanding market opportunities, we have adopted a multi-brand strategy. We have developed a diversified brand portfolio comprising five major brands, including CHANDO as our flagship brand, along with Biorrier (珀芙研), MAYSU (美素), Spring Summer (春夏) and imine (己出), offering a comprehensive product portfolio encompassing skincare, color cosmetics, personal care, men’s care and child and infant care. Our comprehensive product offerings are designed to address a wide spectrum of skincare needs from hydration and whitening to repair, anti-wrinkle, oil control, acne treatment, sensitive skincare and anti-aging, complemented by a range of personal care and color cosmetics products to meet the diverse needs of consumers.

Our Market Opportunities

China is the second largest cosmetics market globally. According to Frost & Sullivan, China’s cosmetics market by retail sales has grown from RMB779.4 billion in 2019 to RMB934.6 billion in 2024, and is forecasted to grow at a CAGR of 7.5% to RMB1,287.9 billion by 2029 from 2025 — nearly twice the global average growth rate. In 2024, per capita cosmetics expenditure in China was approximately RMB664 compared with approximately RMB4,000 in Japan and South Korea, further amplifying the growth potential by the significant headroom in Chinese cosmetic industry. Rising disposable incomes, an increasingly beauty-conscious population, and a rapid shift toward high-quality, functional skincare are set to further propel market expansion.

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Amid this backdrop, domestic brands have experienced strong and sustained growth. According to Frost & Sullivan, retail sales of domestic cosmetics brands have grown from RMB350.2 billion in 2019 to RMB466.4 billion in 2024, representing a CAGR of 5.9%, which outpaced the CAGR of 1.8% for international brands in the same period. In addition, the market share of domestic brands had risen from 44.9% to 49.9% from 2019 to 2024, and is expected to exceed 50% in 2025 and reach 52.9% by 2029. The acceleration reflects the competitive advantages of domestic players, particularly in terms of deep cultural and consumer insight, agile product innovation, cost-efficient supply chains, and well-established presence across online channels.

In terms of market positioning, the mass-market segment — mainly referring to the market segment for products priced below RMB300.0 — accounted for 81.4% of the total cosmetics market in terms of retail sales in 2024 and projected to grow at a CAGR of 6.8% to RMB1,054.8 billion in 2029. The mass-market segment’s resilience and momentum are driven by a nationwide shift toward pragmatic spending and value-for-money products, creating a vast and expanding arena for brands that can deliver quality, efficacy and affordability at scale.

Our Operational Capabilities

In terms of product innovation, we were the first domestic cosmetics company in China to have proprietary rights over yeast ingredients and the first domestic cosmetics company in China to engage in the space skincare research program, according to Frost & Sullivan. To strengthen our R&D capabilities, we have established six research initiatives, namely the Consumer Data Insight Initiative, East Asian Skincare Research Initiative, Raw Material Screening and Development Initiative, Formula Technology Initiative, Packaging Development Initiative, and the “Six Senses and Six Properties” product testing initiative. We also sustainably explore natural resources such as plants, minerals, glacier water, hot spring water and microorganisms from the Himalayas to develop proprietary ingredients. A notable achievement in our R&D efforts is the development of the yeast ingredient, “polar yeast” HiMurchaSin (“極地酵母喜默因”), sourced through the fermentation of strain discovered in the Himalayas. Industry research, as presented in the white paper Application and Prospect of Fermentation Technology in Skin Care Industry (《發酵技術在護膚品行業中的應用與展望》) issued by Detergent & Cosmetics (《日用化學品科學》), indicates that HiMurchaSin can enhance skin’s regenerative factors, providing us not only with a competitive edge in core ingredients but also lower production costs. According to Frost & Sullivan, the cost of HiMurchaSin is approximately 95.0% lower than that of purchasing comparable ingredients from external sources. As of December 31, 2025, HiMurchaSin had been incorporated into 67 of our product formulas, featured in our top-selling products such as CHANDO Himalayan Essence (自然堂極地精華露) and CHANDO’s Time Frozen Essence (自然堂小紫瓶精華液). Additionally, our R&D efforts on microbial fermentation, plant tissue culture technology and plant freeze-drying have enabled us to develop core ingredients such as LacSherTongba (藍科雪), fine stalk rose cell clusters and tea freeze dried powder that further differentiate our products.

In terms of digitalization, we have established a digitalized operation model anchored by our CHANDO Merchandise Management System (“CMMS”) (一盤貨系統) and other digitalized systems, enabling digitalized operations across supply chain management, inventory management, production management, sales and marketing, logistics management and consumer data analysis. Our Cloud Store System connects physical retail sales points with online platforms by synchronizing inventory data in real time and providing integrated online-offline services, including online ordering, membership point accrual, drop shipping, in-store pickup and home delivery through Weixin Mini Programs. In addition, our digitalized consumer management system integrates multi-channel consumer data, enabling in-depth analysis of consumer behavior and preferences. As of December 31, 2025, we had over 42.5 million registered members, while our stores on Tmall and JD.com boasted the largest follower base among all domestic cosmetics companies, according to Frost & Sullivan. In 2025, the repurchase rate of our registered members for CHANDO was approximately 30.7%, higher than the industry average, according to Frost & Sullivan. This substantial and loyal consumer base, coupled with our digital consumer management system, equips us to understand and cater to consumer preferences and behaviors. Our efforts in digitalization have also positioned us as the first cosmetics company in Shanghai to receive the Triple-A Level Integration of Informationization and Industrialization Management System Certificate (AAA級兩化融合管理體系評定證書).

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In terms of industry chain coverage, we have established comprehensive control over key segments, including raw material development, production, marketing and sales. This oversight enables us to accurately assess and forecast consumer demand, which in turn informs our production planning and facilitates effective market penetration. Additionally, our in-house R&D capability for core ingredients grants us effective control over supply chain and production costs, ensuring both high product quality and cost efficiency.

In terms of sales coverage, we have established an integrated online-offline sales network guided by consumer-centric strategies to capture opportunities arising from the rapid evolution of e-commerce and diversified purchasing channels. We maintain a strong presence across all major domestic e-commerce platforms, and operate a nationwide offline network of over 64,800 retail sales points as of the Latest Practicable Date, covering a wide range of retail formats. We adopt tailored sales strategies for different channels to enhance consumer service and sales effectiveness. In addition, our products have entered international markets in North America and Southeast Asia, supporting our global expansion and future growth.

Our Financial Performance

Underpinned by our strong brand equity, consumer-focused product innovation, omni-channel sales network and digitalized operations, we have achieved strong financial performance during the Track Record Period. Our revenue amounted to RMB4,441.8 million, RMB4,600.7 million and RMB5,318.3 million in 2023, 2024 and 2025, respectively. In addition, our net profit amounted to RMB301.9 million, RMB189.8 million and RMB350.8 million in 2023, 2024 and 2025, respectively. Our adjusted net profit (non-IFRS measure) increased from RMB312.5 million in 2023 to RMB412.6 million in 2025.

OUR STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our peers.

China’s Leading Cosmetics Company with Highly Reputable and Well-recognized Brands.

As one of the few domestic cosmetics companies with over 20 years of operating history, we have built a diversified brand portfolio through a multi-brand strategy. As of the Latest Practicable Date, our portfolio comprised five major brands, including our flagship brand CHANDO, together with Biorrier, MAYSU, Spring Summer and imine. Each brand carries a distinct identity and value proposition that addresses the diverse needs of our consumers.

Our flagship brand, CHANDO, was China’s second-largest domestic cosmetics brand by retail sales in 2024, according to Frost & Sullivan. Positioned as a technology-based cosmetics brand inspired by natural ingredients from the Himalayas, CHANDO emphasizes its core philosophy of promoting natural beauty and inner confidence. We have a solid track record of rolling out recognized products under the CHANDO brand. For example, CHANDO’s Pure Nutrient Lotion (自然堂冰肌水) has consistently remained our best-selling product since its launch in 2010, with its cumulative sales volume reaching approximately 138 million bottles as of December 31, 2025. CHANDO’s Time Frozen Essence (自然堂小紫瓶精華液), featuring our proprietary ingredient HiMurchaSin, has quickly gained consumer recognition following its launch in 2022 and has been updated for six generations, earning the “Super New Product of the Year” award from Tmall Golden Makeup. As of December 31, 2025, the Time Frozen Essence’s cumulative retail sales exceeded RMB2,587 million.

In addition, Biorrier, our functional skincare brand specializing in sensitive skin, has also achieved strong growth momentum since 2024. Its offerings include popular products such as the Anti-Sensitive Repairing Masque (密集舒緩修護面膜) and the Anti-Sensitive Repairing Cream (舒緩保濕修護霜), which have become the key driving forces behind the brand’s growth. In 2023, 2024 and 2025, Biorrier recorded revenue of RMB62.7 million, RMB120.9 million and RMB183.0 million, respectively, reflecting its increasing market penetration and consumer acceptance. According to Frost & Sullivan, Biorrier was the fastest-growing scaled functional skincare brand for sensitive skin in terms of year-on-year growth rate of retail sales from 2023 to 2024.

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Product Innovation Underpinned by R&D Capabilities

Our industry leadership is anchored in our R&D capabilities. We consistently prioritize development of technologies and ingredients applied in our products to enhance our product quality, effectiveness and sustainability. Our product innovation methodology integrates proprietary ingredients with oriental aesthetics, creating formulations that not only deliver efficacy but also resonate with cultural values and skincare traditions. Moreover, our collaborations with prestigious universities, research institutes and medical facilities in dermatology and microbiology significantly bolster our R&D capabilities. Notably, as a testament to our R&D capabilities, we have partnered with the China Arctic and Antarctic Scientific Expedition Team since 2013, providing them with skincare products featuring advanced hydration and antioxidant properties, designed to protect skin under extreme environments.

Our R&D capabilities have enabled us to accumulate a portfolio of intellectual properties and academic contributions through consistent innovation. As of the Latest Practicable Date, we had 256 patents and had 150 pending patent applications in China and other jurisdictions, and had published over 220 scholarly articles. Additionally, we had contributed to the establishment of 159 national, industry, association and corporate standards as of the same date.

In addition, our partnership with the China Space Foundation to conduct space skincare research programs represents an advancement in utilizing advanced space skincare technologies, positioning us as the first domestic cosmetics company to engage in space skincare research programs, according to Frost & Sullivan. This initiative, under the principle of leveraging space achievements for terrestrial applications and vice versa, focuses on understanding skin mechanisms and assessing new active ingredients in simulated space conditions. This effort has led to the discovery of active ingredients, including “space ginseng yeast,” which plays a crucial role in the development of our MAYSU products. In December 2021, our Group was honored as the “Cooperative Partner of China’s Aerospace Endeavors” by the China Space Foundation, a distinction we hold exclusively among cosmetics companies up to the Latest Practicable Date, according to Frost & Sullivan.

Digitalized Operation Model Ensuring High Operational Efficiency

We have developed a digitalized operation model that enables rapid, precise responses to multi-scenario and multi-frontend market demand, encompassing all stages of our value chain into an integrated, data-driven ecosystem, enhancing operational efficiency and market responsiveness.

CMMS. At the core of our digitalized operation model is our self-developed CMMS launched in July 2021, which connects warehouses, distributors and retail sales points through a centralized platform and supports end-to-end digitalized operations from order placement and settlement to logistics fulfillment. Through the CMMS, distributors and retail sales points place orders based on real-time demand, with inventory automatically checked, products dispatched directly to retail sales points or end-consumers, and logistics tracked in real time, allowing distributors to operate without holding inventory. As of December 31, 2025, substantially all distributors and retail sales points had registered on the CMMS, and as of the Latest Practicable Date, except for a limited number in remote areas, substantially all registered distributors did not hold inventory. By bypassing traditional distributor routing, this model shortens lead times and reduces channel-stuffing risks. In addition, the CMMS continuously collects sell-through and inventory data to support demand forecasting, production planning and marketing execution, and is integrated with our Cloud Store System to synchronize online and offline inventory and enable efficient omnichannel fulfillment, delivering a cohesive consumer experience. It also allows distributors to operate with an efficient model focused on marketing and brand growth, while reducing logistics and inventory costs. The CMMS supports scalable and simultaneous marketing execution through an embedded product promotion module on the homepage of all CMMS accounts.

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In addition to the CMMS, we operate a suite of interconnected digital platforms to further enhance operational efficiency. Our digitalized supply chain management system integrates SAP, MES and WMS to deliver end-to-end visibility and coordination across procurement, production, quality control and logistics, improving resource allocation and ensuring timely product delivery. Our digitalized consumer management system consolidates consumer data from online and offline channels into a centralized database and, together with our marketing automation system, supports consumer analysis, targeted campaigns and enhanced marketing efficiency. Our digitalized sales management system, supported by the e-commerce system and the Cloud Store System, coordinates online and offline sales channels through real-time inventory synchronization, enabling integrated omnichannel services and consistent service quality across channels. See “— Our Digitalized Operations.”

In recognition of our digitalization efforts, we have received multiple industry honors. In 2021, we received the Shanghai Digital Transformation Excellence Case award, establishing us as a benchmark enterprise for digital transformation in Shanghai’s cosmetics industry. In 2023, we were named among the second batch of “Industrial Chain Masters” cultivation enterprises in Shanghai, becoming the first cosmetics company to receive this honor, according to Frost & Sullivan. In the same year, we also became the first cosmetics company in Shanghai to obtain the Triple-A Level Integration of Informationization and Industrialization Management System Certificate, according to Frost & Sullivan.

Consumer-centric, Integrated Sales Network and Marketing Strategy Bolstering Strong Brand Recognition.

In response to the rapid evolution of the internet and the diversification of cosmetics sales channels, we have established an integrated sales network integrating online and offline channels, ensuring broad accessibility of our products.

Online Channels. We have established an extensive online sales network that spans all major e-commerce platforms in China, such as Tmall, Douyin, JD.com, Pinduoduo, Kuaishou, Xiaohongshu, Vipshop, Meituan, Dewu and Weixin video channels. In 2025, we generated 69.5% of our total revenue from online channels. We have demonstrated strong sales performance through online channels. For instance, in 2025, CHANDO’s latest Time Frozen Essence series ranked No. 1 on Tmall’s New Emulsion Products List for consecutive days and was selected as a “2025 618 Super New Product with Powerful Ingredients.” Meanwhile, the Men’s Glacier Moisturizing Lotion consistently topped men’s cream rankings across multiple online platforms and ranked first in the men’s cream category during the 2025 618 shopping festival. CHANDO’s strong online performance was recognized with the Annual Chinese Brand of the Year award at the 2024 Tmall Golden Makeup Awards. Furthermore, we have capitalized on the burgeoning trend of distribution of short videos, livestreaming and sales events on platforms such as Douyin and Kuaishou, enhancing consumer engagement and broadening our product visibility. In 2024, our marketing and branding content posted on Douyin garnered approximately 14.0 billion impressions. Amid today’s retail diversification, we have actively embraced digital retail strategies. In 2024, we successfully expanded CHANDO’s presence on Weixin video channels, earning a Tencent Smart Retail Award for Breakthrough Omni-channel Growth and Ecosystem Collaboration.

Offline Channels. We have built a nationwide offline sales network covering over 64,800 retail sales points as of the Latest Practicable Date, which were primarily operated by our distributors and offline retailers. In 2025, we generated 30.2% of our total revenue from offline channels. Our offline channels encompass a diverse array of retail formats, such as department stores, shopping centers, cosmetics stores, supermarkets, convenience stores, lifestyle stores, pharmacies and various emerging retail formats. We employ differentiated sales strategies across retail formats to optimize consumer service and drive sales, with supermarkets and lifestyle stores focusing on everyday essential products and shopping centers offering a broader and more specialized product selection. Across shopping centers, supermarkets and other retail sales points, our counters are staffed by professional beauty advisors who provide personalized recommendations and on-site trials to enhance the consumer experience, complemented by offline marketing initiatives such as commercial advertisements and promotional campaigns to strengthen

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brand awareness. Since 2025, we have further enhanced our offline presence by launching CHANDO self-operated flagship stores in prime shopping centers to improve consumer access and brand visibility. As of the Latest Practicable Date, we had opened four flagship stores in Shenzhen, Shanghai, Wuhan and Chongqing. These flagship stores are designed to showcase the full CHANDO product portfolio and place strong emphasis on in-store experiential services, offering consumers an immersive brand experience that reinforces CHANDO’s brand image.

Industry-leading Production Capabilities and Stringent Quality Control Systems.

We possess industry-leading production capabilities supported by four strategically located production bases, enabling us to maintain in-house production from ingredients to finished products — a capability shared by only a few leading cosmetics companies in China, according to Frost & Sullivan. Specifically, our Linzhi, Xizang production base specializes in processing locally sourced plant extracts into semi-finished products, preserving the natural efficacy of key raw materials. Our Shanghai production base focuses on finished products using advanced formulation, filling and packaging technologies, and was further strengthened in August 2025 with the launch of a fermentation facility producing high-value active ingredients. By maintaining the vast majority of production in-house, we ensure stringent quality control while enabling rapid market response and product launches. In October 2025, the third phase of our Shanghai production base commenced operation, expanding finished product capacity and incorporating visitor experience facilities and a factory outlet.

To safeguard the quality and consistency of our products, we have instituted a stringent quality control system, including an integrated “1+6” comprehensive quality control management system and the “Six Senses and Six Properties” product testing standard. See “— Product Safety and Quality Control — Quality Control Standard.” Our quality control measures comprehensively cover product design and development, production, storage, transportation and consumer feedback handling. We have also implemented a product tracing system that enables customers to precisely track each product from production to sales. Our commitment to quality control management has been recognized through multiple awards and designations, including the “Shanghai Quality Gold Award (上海市質量金獎),” making us the first cosmetics company to receive this honor according to Frost & Sullivan, the “Outstanding Case of Digital Transformation in Quality Management in Shanghai (上海市質量管理領域數字化轉型優秀案例)” awarded by the Shanghai Administration for Market Regulation in 2021, and appointments as a practical training base for cosmetic inspectors by the National Medical Products Administration Senior Research Institute in 2020 and the Shanghai Medical Products Administration in 2022. We have also been recognized with the “Typical Case of Chief Quality Officer Innovation Practice in Shanghai (上海市企業首席質量官創新實踐典型案例)” in 2021, the “National Chief Quality Officer Quality Management Transformation and Innovation Case (全國首席質量官質量管理變革創新入圍案例)” in 2022, the “Shanghai Quality Benchmark (上海市質量標桿)” honor in 2024, and the “Advanced Intelligent Factory of Shanghai for 2024 (2024年度上海市先進級智能工廠)” in 2024.

Visionary and Experienced Management Team Committed to Sustainable Development.

At the heart of our organization lie the foundational principles of altruism, innovation, diversity, responsibility, excellence and mutual benefit. Our management team exemplifies these values in their dedication and expertise. As of December 31, 2025, our management team brought an average of over 20 years of industry and management experiences. Mr. Zheng Chunying, our founder, chief executive officer and Chairman, and Mr. Zheng Chunbin, our Executive Director, both with over 20 years of expertise in the cosmetics industry, offer profound insights into our business strategies and development. Mr. Zheng Chunying has been awarded as China’s Top Ten Most Influential Figures in Beauty, China’s Top Ten News Figures in the Cosmetics Industry, and Leading Figures in Shanghai’s Industrial and Commercial Sector. Mr. Zheng Chunbin, with his valuable insights and working experience, enriches our Company with industry connections and a deep understanding of development trends. Mr. Zheng Chunwei, our Executive Director, guides our strategic direction with his extensive management experience. Together, the collective wisdom and expertise of our management team positions us as a leading player in China’s cosmetics industry.

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We are dedicated to sustainable operations and the fulfillment of our social responsibilities, and have voluntarily published corporate social responsibility or sustainability reports annually since 2013. We promote green R&D, eco-friendly design and low-carbon production by assessing environmental impacts at the early stages of product development and adhering to stringent environmental management standards throughout production. We also emphasize sustainability in packaging by adopting advanced technologies and eco-friendly materials to reduce carbon emissions, including the use of one-step injection-molded packaging technology to improve efficiency while lowering energy consumption and emissions.

OUR STRATEGIES

We believe that the following strategies pave the way for our sustained success.

Optimizing Our Brand and Product Portfolio to Create Long-lasting Value for Consumers.

We are committed to continuously optimizing our brand and product portfolio to create long-term value for consumers by developing products and brands aligned with evolving consumer preferences, fostering cross-category and cross-brand sales, and enhancing consumer loyalty. We plan to strengthen the market presence of our existing brands through tailored marketing and sales strategies based on brand positioning, while developing signature products leveraging our self-developed core ingredients and advanced technologies to enhance brand recognition and build a loyal consumer base. We also intend to further diversify our product portfolio by expanding into additional categories and selectively exploring investment and acquisition opportunities to capture growth across diverse market segments. As of the Latest Practicable Date, we had not identified any potential investment or acquisition target or entered into any agreements in this respect.

Optimizing Our Sales Network with a Strategic Emphasis on DTC Capabilities.

We aim to optimize our sales network by leveraging our CMMS to enhance DTC capabilities and create more opportunities for direct consumer engagement and insight generation, including launching new online stores and brand- or category-specific accounts on major domestic e-commerce platforms. We also plan to connect additional retail sales points to our Cloud Store System to support integrated online-offline shopping experiences and inform future strategies, while continuing to establish CHANDO flagship stores in prime shopping centers to showcase our full product range and strengthen brand presence. In addition, we will regularly refine our sales strategies to align with market trends and regional consumer preferences by deploying channel-specific product display and promotion tactics, developing detailed consumer profiles for targeted marketing, and deepening collaborations with intra-city retail platforms such as Meituan, Ele.me and JD Daojia to enhance convenience and consumer experience.

Strengthening R&D and Production Capabilities to Offer High-Quality Products.

We plan to further strengthen our R&D and production capabilities to deliver products with enhanced quality and cost efficiency by advancing technologies and core ingredients, reinforcing in-house raw material production and synergizing proprietary ingredients with innovative technologies to improve product efficacy and consumer experience. We will also deepen collaborations with universities, research institutes and medical facilities, establish additional R&D centers and laboratories, equip them with advanced facilities, and recruit experienced R&D talent to drive continuous innovation. In parallel, we intend to expand production capacity and efficiency for raw materials and skincare, personal care and color cosmetics products through equipment upgrades, automation and digitalized production systems, enabling faster market response, shorter product launch cycles and consistent product quality.

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Enhancing Digitalization Capabilities to Improve Operational Efficiency.

We aim to strengthen our digitalization capabilities to enhance operational efficiency by upgrading our CMMS to improve the digitalization, visualization and online integration of production, warehouse and sales management, while leveraging the system to broaden sales channels and retail scenarios. We also plan to enhance membership management through the development of our MA system and data analytics capabilities to improve consumer acquisition and increase repurchase rates. In addition, we intend to strengthen the integration between the CMMS and other IT systems to enhance inventory visibility, traceability and supply chain efficiency, reduce operational costs, and further refine our Cloud Store System by expanding its application scenarios and connecting additional retail sales points to support seamless online-offline sales integration.

Penetrating Domestic Market and Establishing Global Influence.

Leveraging our integrated sales network, brand recognition and market reputation built over the years, we aim to continuously enhance our penetration in China’s domestic market, while expanding our presence in the global market. As of the Latest Practicable Date, we have entered markets in North America and Southeast Asia. Capitalizing on our strong track record in China’s market and our comprehensive understanding of the cosmetics industry, we aim to further explore global opportunities that synergize with our business development strategies. Specifically, we plan to further forge cooperations with overseas business partners and establishing presence on major global e-commerce platforms to reach more consumers globally.

OUR BRANDS AND PRODUCTS

Recognizing the diverse and evolving needs of consumers, we have developed a diversified brand portfolio through a multi-brand strategy, offering five major cosmetics brands including our flagship brand CHANDO, as well as Biorrier, MAYSU, Spring Summer and imine. Each brand carries a distinct identity and value proposition that addresses the diverse needs of our consumers, while collectively upholding our commitment to efficacy and quality. Collectively, our brands offer a comprehensive product selection across skincare, color cosmetics, personal care, men’s care, and child and infant care, designed to meet consumers’ everyday routine to targeted treatment needs. During the Track Record Period, CHANDO had remained as the cornerstone of our brand portfolio, contributing to 95.9%, 95.4% and 95.3% of our total revenue in 2023, 2024 and 2025, respectively.



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The following table sets forth the key information of our brands:

Brand	Year of Launch	Brand Positioning	Product Category	Number of SKUs as of December 31, 2025	Price Range for Key Products
CHANDO 自然堂	2001	A technology-based cosmetics brand inspired by natural ingredients from the Himalayas.	Skincare, personal care, men’s care, color cosmetics	410	RMB49 to RMB390
Biorrier 珀芙研	2019	A functional skincare brand specializing in sensitive skin.	Skincare	32	RMB138 to RMB398
MAYSU 美素	2001	A mid-to-high-end technology-based cosmetics brand specializing in anti-aging solutions.	Skincare, color cosmetics	28	RMB180 to RMB680
SPRING™ 春 SUMMER 夏	2017	A specialized sunscreen brand.	Skincare, personal care	65	RMB58 to RMB338
 己出® imine	2023	A functional skincare brand specialized for infants and children.	Child and infant care	19	RMB89 to RMB169
Total				554	

As of December 31, 2025, we offered 554 SKUs under all our major brands. From daily moisturizers and serums to sensitive skin solutions, we strive to bring consumers suitable products and enjoyable experiences. We not rely on any single flagship product that contributed a significant portion to our total revenue during the Track Record Period. The following table sets forth our revenue breakdown by product category for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Skincare	3,892,291	87.6	4,028,683	87.6	4,573,132	86.0
Color cosmetics	188,508	4.2	179,390	3.9	208,959	3.9
Personal care	149,975	3.4	172,630	3.8	339,833	6.4
Other product categories ⁽¹⁾	200,996	4.6	203,256	4.3	179,551	3.4
Others ⁽²⁾	9,997	0.2	16,705	0.4	16,798	0.3
Total	4,441,767	100.0	4,600,664	100.0	5,318,273	100.0

Notes:

- (1) Other product categories primarily consisted of men’s care, and child and infant care products.
- (2) Others primarily refers to the revenue generated from the services fees charged to certain distributors regarding our provision of counters to support their business operations.

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The following table sets forth the breakdown of our sales volume and average selling price (“ASP”) by product category for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾	Sales volume	ASP ⁽¹⁾
	<i>(Sales volume in thousand units, ASP in RMB)</i>					
Skincare	99,062	39.3	99,674	40.4	117,244	39.0
Color cosmetics	3,969	47.5	3,816	47.0	4,504	46.4
Personal care	6,189	24.2	8,475	20.4	16,382	20.7
Others	6,220	32.3	6,934	29.3	6,130	29.3
Total/Overall	115,440	38.4	118,899	38.6	144,260	36.8

Note:

- (1) ASP is calculated by dividing the revenue generated from each product category by the corresponding sales volume for the relevant period.

During the Track Record Period, our sales volume continuously increased in line with the increase in our revenue, primarily driven by an increase in revenue from sales of skincare products, which benefited from increased sales volume, relatively stable unit price and the introduction of new SKUs. Our average selling prices remained relatively stable throughout the Track Record Period.

CHANDO

Launched in 2001, our flagship brand CHANDO is positioned as a technology-based cosmetics brand inspired by natural ingredients from the Himalayas. We manufacture certain natural plant-derived ingredients in-house and also procure raw materials from suppliers located in the Himalayan region for our skincare production, including Himalayan plant extracts, botanical actives and algae-derived components. We have developed proprietary active ingredients sourced from the Himalayan region and established production of these bioactive substances through advanced fermentation processes at our own facilities. These ingredients are incorporated into our formulations to provide functional properties commonly used in skincare products, including antioxidant support, conditioning and soothing effects. According to Frost & Sullivan, CHANDO was China’s second-largest domestic cosmetics brand by retail sales in 2024.

CHANDO prioritizes the use of natural ingredients to bring consumers an intimate and pure beauty experience. The incorporation of natural ingredients such as *Haematococcus pluvialis*, Himalayan tea and dill, sourced from Himalayan expeditions by our R&D team, enhances product efficacy and delivers diverse benefits to consumers. Notably, our discovery of a strain of yeast during a Himalayan expedition led to the development of our proprietary ingredient, HiMurchaSin, which possesses potent rejuvenating properties that significantly enhance the anti-aging effects of our products.

Below sets forth the details of certain CHANDO’s popular product series.

Skincare

We offer multiple skincare collections under CHANDO to address skincare needs from hydration and whitening to repair, anti-wrinkle, oil control, acne treatment, sensitive skincare and anti-aging. Below sets forth our signature skincare products.

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Small Purple Bottle Collection (小紫瓶系列)

The Small Purple Bottle Collection, featuring Time Frozen Aging Resistance Activating Essence Cream (小紫瓶精華霜) and Time Frozen Essence (小紫瓶精華液) in its six generation, is suitable for a broad spectrum of skin types, especially for consumers with combination or oily skin, to augment skin vibrancy and overall skin health. This collection is formulated with our proprietary ingredient, HiMurchaSin, offering an effective anti-aging and reparative skincare solution.



Himalayan Essence (極地精華露)

The Himalayan Essence's formula is suitable for a broad spectrum of skin types, especially for consumers contending with skin conditions including rough pores, lackluster skin, redness and skin fragility. It contains 93% HiMurchaSin raw essence to reduce wrinkles and increase skin firmness.



Cellcrystal Whitening Collection (雪肌追光系列)

The Cellcrystal Whitening Collection, featuring a range of products such as Cellcrystal Whitening Radiance Rejuvenating Serum (雪肌追光煥白緊致精華液), is tailor-made for Asian women, delivering radiant results from within. Formulated with a blend of 4-Butylresorcinol, Himalayan tea polyphenols and HiMurchaSin, the collection is designed to address external visible melanin as well as internal hidden discolorations such as dullness, sallowness and redness. It is suitable for a variety of skin types.



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Time Frozen Collection (凝時鮮顏系列)

The Time Frozen Collection, featuring an assortment of products such as Time Frozen Water (凝時鮮顏肌活冰肌水), Time Frozen Cleanser (凝時鮮顏肌活氨基酸潔面霜) and Time Frozen Aging Resistance Cultivating Eye Cream (凝時鮮顏肌活小紫瓶眼霜), is suitable for a broad spectrum of skin types, especially for consumers with combination or oily skin. The collection is formulated with natural ingredients such as *Haematococcus pluvialis*, designed to reduce fine lines and make the skin radiant and plump.

Niacinamide Ampoule Mask (煙酰胺細緻提亮安瓶面膜)

The Niacinamide Ampoule Mask is a key product in our functional ampoule mask collection (功效型安瓶面膜系列). Formulated with niacinamide, this mask provides fast and enduring hydration and helps fortify the skin's protective barrier, promoting skin restoration and providing a safeguarding shield for optimal skin health.



Efficacy Freeze-dried Mask (III型重組膠原蛋白修護凍乾面膜)

The Efficacy Freeze-dried Mask is suitable for sensitive skin and for skin treatment as it supplements collagen to improve fine lines and repair the skin barrier. The mask, currently in its second generation, features HiMurchaSin and Type III Recombinant Collagen. It is specifically formulated to address sagging, wrinkles and unique skin care needs.



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Snowy Region Collection (雪域精粹系列)

The Snowy Region Collection includes a range of products such as Snowy Region Lotion (雪域修護保濕冰肌水), Snowy Region Essence (雪域修護保濕精華液) and Snowy Region Cream (雪域修護保濕霜). Formulated with Himalayan Glacier Water and rare Gentian Extract, the collection deeply hydrates and repairs the skin, leaving it supple, plump and radiant.

Color Cosmetics

We offer a variety of color cosmetics collections under the CHANDO brand, encompassing face, lip and eye makeup products suitable for different consumer preferences and occasions. Below sets forth our signature color cosmetics products.

Crystal White Color Correcting Makeup Base (雪潤皙白多重防曬隔離霜)

Designed to address various skin concerns, the Crystal White Color Correcting Makeup Base serves as an easy-to-use, color-correcting priming option. It offers sun protection with SPF32 PA+++ and provides color correction to enhance the complexion. Its lightweight texture blends smoothly for a natural finish, delivering long-lasting soft and bright skin. Formulated with dual nourishing factors, double pomegranate extract, Himalayan glacier water, and hyaluronic acid, it combines makeup with skincare to provide a smooth, refined finish while offering lasting hydration and preventing dullness or flakiness.



Mini Gold Lipstick (小金筆唇膏)

We offer the Mini Gold Lipstick in a wide selection of shades to complement different skin tones and personal styles, ensuring consumers can find their suitable match. Formulated with various botanical oils such as the almond oil, Prinsepia utilis oil and avocado oil, and infused with hyaluronic acid, Vitamin E, bisabolol and ginger root extract, the Mini Gold Lipstick offers a delicate touch and sustained hydration for lips.



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Personal Care

Under the CHANDO brand, we offer a selection of personal care collections, including shampoo and body wash, hair care and oral care, to offer consumers full-suite care catering to their everyday routines. Below sets forth our signature personal care products.

Sensitive Scalp Hair Loss Prevention Collection (敏感頭皮專研防脫系列)

The Sensitive Scalp Hair Loss Prevention Collection is specifically developed to strengthen hair and prevent hair loss for sensitive scalps. Inspired by the Himalayan heritage formula Five-Flavor Sweet Dew and enriched with HiMurchaSin, this collection helps regulate the scalp’s micro-ecosystem and repair the sensitive scalp barrier. By addressing the root causes of hair loss, it promotes dense and healthy hair growth.



Men’s Care

We offer a range of men’s collections under the CHANDO brand, specifically designed to cater to men’s daily skincare needs. Below sets forth our signature men’s care products.

Glacier Water Hydration Collection (冰川保濕系列)

We offer a variety of hydrating skincare products under the Glacier Water Hydration Collection, including Himalaya Energy Glacier Water Moisture Dew (喜馬拉雅冰川保濕露), Himalaya Energy Moisturizing Cleansing Gel (喜馬拉雅冰川透爽保濕潔面啫喱) and Himalaya Energy Glacier Water Moisturizing Toner (喜馬拉雅冰川保濕爽膚水). Enriched with Himalayan small molecule cluster glacier water and Himalayan botanical extracts, the Himalaya Energy Glacier Water Moisture Dew is our signature product within the Glacier Water Hydration Collection that effectively hydrates the skin.



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Glacier Water Oil-Control Collection (冰川控油系列)

The Glacier Water Oil-Control Collection offers a range of skincare products designed for oil control, including the Glacier Water Oil-Control Refreshing Balance Essence (冰川控油勁爽平衡露), Glacier Water Oil-Control Refreshing Balance Toner (冰川控油勁爽平衡水), and Glacier Water Oil-Control Refreshing Balance Cream (冰川控油勁爽平衡凝霜). Enriched with polar fermentation extract and billion-level oil-control agents, the Men's Glacier Water Oil-Control Refreshing Balance Essence is the signature product of this collection, delivering 24-hour long-lasting oil control, rapid acne reduction, and a consistently fresh experience.

Other Brands

In addition to CHANDO, our brand portfolio has expanded to include Biorrier, MAYSU, Spring Summer and imine.

Biorrier

Launched in 2019, Biorrier is our functional skincare brand specializing in sensitive skin. Its product portfolio comprises five series — the Ss Soothing Restoration series, Ds Hydrating Balancing series, Br Brightening Radiance series, Aa Anti-Wrinkle series and Specialized Care series — and also includes specialized medical dressings registered as medical devices. Since 2024, Biorrier has experienced strong growth momentum, rapidly expanding its consumer base and enhancing brand visibility across both online and offline channels. Designed to address the needs of sensitive skin, its offerings include popular products such as the Anti-Sensitive Repairing Masque and the Anti-Sensitive Repairing Cream, which have become the key driving forces behind the brand's growth. In 2023, 2024 and 2025, Biorrier recorded revenue of RMB62.7 million, RMB120.9 million and RMB183.0 million, respectively, reflecting its increasing market penetration and consumer acceptance. According to Frost & Sullivan, Biorrier was the fastest-growing scaled functional skincare brand for sensitive skin in terms of year-on-year growth rate of retail sales from 2023 to 2024.



MAYSU

Launched in 2001, MAYSU is a mid-to-high-end technology-based cosmetics brand specializing in anti-aging solutions. We have incorporated our core ingredient, space ginseng yeast, in a number of MAYSU products such as Plum Blossom Multi-Rejuvenating Concentrate Cream (美素肌活再生精華液), Space Renewal Liquid Essence (美素肌活再生精華水) and Ginseng Seed

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Essence Lotion (美素日夜珍寵肌活再生能量水). As of December 31, 2025, we offered several major skincare lines under MAYSU, including the Rose Nutrition Collection, Plum Blossom Collection and Space Renewal Collection. MAYSU has received the “China’s Preferred Brand” award in three consecutive years from 2020 to 2022 from China Beauty Expo.



Spring Summer

Launched in 2017, Spring Summer is a specialized sunscreen brand. Recognizing the distinctive skincare needs of the young consumers, Spring Summer primarily offers eleven major product lines, covering skincare, sun protection and hand creams tailored for young consumers. Starting in 2024, we have strengthened efforts in developing professional sunscreen products under Spring Summer to enhance brand recognition.



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imine

Launched in 2023, imine is a functional skincare brand specialized for infants and children. The brand name, signifying “love as my own,” embodies its core philosophy of providing natural, safe and effective skincare solutions for the next generation. imine’s products prioritize the development and use of natural ingredients, including our H-ecotrio (愛倍健) that helps nourish, hydrate and sooth the skin.



OUR RESEARCH AND DEVELOPMENT

We consistently prioritize the development of technologies and core ingredients applied in our products. During the Track Record Period, our cumulative research and development expenses amounted to RMB291.3 million. As of December 31, 2025, our R&D team comprised 163 experienced personnel with diverse expertise in life science, material science and applied chemistry, with more than 40% holding a master’s degree or above. We have also forged strategic collaborations with prestigious universities, research institutes and medical facilities in dermatology and microbiology. Notably, we have partnered with the China Arctic and Antarctic Scientific Expedition Team since 2013, providing them with skincare products featuring advanced hydration and antioxidant properties, offering effective skin care and protection under extreme environments.

Our R&D efforts have led to a number of achievements, including our self-developed core ingredients HiMurchaSin, LacSherTongba and space ginseng yeast. As of the Latest Practicable Date, we had 256 patents and had 150 pending patent applications in China and other jurisdictions, and had published over 220 scholarly articles. Additionally, we had contributed to the establishment of 159 national, industry, association and corporate standards as of the same date. In 2023, 2024 and 2025, we launched 89, 92 and 85 new SKUs under our major brands, respectively.

Our R&D Mechanism

Our R&D center, located in Shanghai, is the innovation hub for our brands and products. It features six research initiatives that collectively strengthen our ability to develop and upgrade products: leveraging consumer data for product insights (“Consumer Data Insight Initiative”); conducting East Asian skincare research (“East Asian Skincare Research Initiative”); developing advanced raw materials through microbial fermentation and plant tissue culture (“Raw Material Screening and Development Initiative”); innovating cosmetic formulations using technologies such as emulsification, lyophilisation and microencapsulation (“Formula Technology Initiative”);

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designing sustainable, aesthetically appealing packaging with advanced technologies such as the one-step injection-molded packaging technology (“Packaging Development Initiative”); and implementing a rigorous “Six Senses and Six Properties” testing standard covering vision, hearing, smell, touch, taste and overall perception, to ensure product safety, efficacy, and compliance through comprehensive evaluations (“the “Six Senses and Six Properties” product testing initiative”).

Our product development process typically spans three to 18 months and includes five stages: (i) defining R&D initiatives based on market analysis and consumer insights; (ii) prototype testing and iterative refinement; (iii) in vitro and clinical validation for safety and efficacy where required; (iv) simulated production and approval to ensure scalability; and (v) product launch following necessary filings or approvals. Postlaunch, we monitor performance, feedback, and adverse reactions for continuous improvement. Consumer research and sample testing are integrated throughout to optimize usability and satisfaction.

Our R&D Achievements

Self-developed Core Ingredients

We focus on both fundamental and applied research to develop innovative ingredients, enabling us to deliver high-quality, effective, and sustainable cosmetic products. Revenue generated from products featuring our self-developed ingredients had continuously increased during the Track Record Period. In 2025, revenue generated from products featuring our self-developed ingredients contributed over 80% to our total revenue.

Microbial Fermentation and Related Core Ingredients

We have focused on the development of microbial strains through microbial fermentation, with the intent of utilizing them as active ingredients in cosmetics. As of the Latest Practicable Date, we had submitted applications for 43 patents in the field of microbial fermentation and published 27 articles in renowned domestic and international journals related to microbial fermentation. Our focus on microbial fermentation has resulted in the successful development of HiMurchaSin and LacSherTongba, two proprietary ingredients that bolster our product efficacy.

- *HiMurchaSin*. The “polar yeast” HiMurchaSin is a potent regenerative and rejuvenating yeast developed from a strain discovered in the Himalayas. It contains 601 identifiable small-molecule components, including 180 amino acids and peptides, 100 organic substances and a variety of peptides, minerals, and various vitamins beneficial to the skin. Our research also shows that HiMurchaSin can significantly enhance skin’s regenerative factors, a finding supported in an industry’s white book, *Application and Prospect of Fermentation Technology in Skin Care Industry*. According to Frost & Sullivan, our development of HiMurchaSin has established us as the first domestic cosmetics company in China with proprietary rights to yeast ingredients. As of December 31, 2025, HiMurchaSin had been incorporated into 67 of our product formulas, significantly enhancing their efficacy.
- *LacSherTongba*. LacSherTongba is an extremophile probiotic lactobacillus. Containing 926 compound molecules and capable of regulating over 400 associated active-related proteins, LacSherTongba is able to modulate the skin microbiome, suppress *Propionibacterium acnes* and *Staphylococcus aureus*, while promoting a balance of benefit microbes to stabilize the skin microbiome, according to our researches. Our research also shows that this ingredient can reduce skin inflammation, strengthens the skin barrier, enhances skin resilience and soothes the skin. LacSherTongba has undergone rigorous in vitro efficacy studies and clinical validation in our R&D process, which, in addition to the aforementioned attributes, also finds its effects in hydration, skin barrier repair, redness reducing, skin tone brightening and acne treatment. As of the Latest Practicable Date, LacSherTongba had been applied in our products, including CHANDO’s sensitive scalp care essence.

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Plant Tissue Culture Technology and Related Core Ingredients

Plant tissue culture technology uses plant cells cultivated under controlled laboratory conditions to produce culture materials rich in active ingredients for cosmetic raw material development. We have established a scalable plant tissue culture platform, enabling reliable ingredient production. For example, fine stalk rose cell clusters derived from fine-stemmed roses are incorporated into CHANDO’s Pink Diamond Firming Delicate Rose Collection (粉鑽緊致細嫩玫瑰系列) to enhance product efficacy.

Tea Freeze-dried Technology and Related Core Ingredients

We utilized a sustainable plant freeze-drying technology, which transforms Himalayan green tea into cold-brewed freeze-dried powder, preserving the natural and active ingredients in their potent form. For example, CHANDO’s Himalaya Green Tea Clay Purifying Mask, designed for cleansing, oil control and removal of blackheads and exfoliates, incorporates the tea extract, tea freeze-dried powder and tea residue. Our products also incorporate a variety of medicinal plant extracts such as reishi, cordyceps and gentian, as well as natural resources such as glacier water, hot spring water and minerals, all aimed to bring natural, safe and effective solutions for consumers.

Space Skincare Technology

We partnered with the China Space Foundation to conduct space skincare research, applying advanced space technologies to develop high efficacy products. According to Frost & Sullivan, we were the first domestic cosmetics company to engage in such programs. Guided by the principle of leveraging space achievements for terrestrial applications and vice versa, we studied skin mechanisms, product efficacy, and active ingredient development under simulated space conditions, creating products suitable for space environments. This effort led to breakthroughs such as space ginseng yeast, a key ingredient in our MAYSU products. In December 2021, we were honored as the “Cooperative Partner of China’s Aerospace Endeavors” by the China Space Foundation, a distinction we hold exclusively among domestic cosmetics companies to the Latest Practicable Date, according to Frost & Sullivan.

Exogenous Skin Phenotype Influence Research

We conduct research on skin phenotypes influenced by exogenous environmental factors, exploring molecular mechanisms that affect skin appearance, especially those related to raw materials and products. Our studies have identified active ingredients from the Himalayas, such as Himalayan usnea barbata ingredient, which demonstrates strong anti-aging and skin elasticity benefits. Based on this discovery, we have launched CHANDO’s Gold Diamond collection (自然堂金鑽微雕系列) featuring this ingredient.

OUR DIGITALIZED OPERATIONS

We have established a digitalized operation model anchored by the CMMS, enabling digitalized operations across supply chain management, inventory management, production management, sales and marketing, logistics management and consumer data analysis. Through interconnection, our digitalized systems enable a synchronized flow of information across various operational aspects, enhancing operational efficiency, providing comprehensive insights across the entire business spectrum, and enabling informed decision-making and strategic planning. In particular, the implementation of the CMMS represents an advancement in our industry, positioning us as one of the cosmetics companies with advanced digitalization capabilities.

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Our CHANDO Merchandise Management System (“CMMS”)

Launched in July 2021, the CMMS represents a key milestone in our digitalization efforts. The CMMS connects our warehouses, distributors and retail sales points through a centralized digital platform, enabling us to manage product flows, inventory and sales execution in a transformative, highly efficient and transparent manner.

Specifically, the CMMS operates as a centralized digitalized platform that supports full-process digitalized operations from online order placement, processing and settlement to logistics fulfillment. Distributors and retail sales points place purchase orders through their CMMS accounts, which are automatically verified against real-time inventory at our warehouses. Once confirmed, the system generates dispatch instructions, enabling products to be shipped directly from our warehouse to the designated retail sales points or end-consumers. Throughout this process, logistics status is updated in real time on the platform, allowing both distributors and retail sales points to track order progress. Under this model, distributors can place orders based on the real-time demand from retail sales points and are not required to maintain any inventory. As of the Latest Practicable Date, except for a limited number of distributors in remote areas, substantially all distributors registered on the CMMS did not hold any inventory of our products. This direct delivery model bypasses traditional distributor routing, shortens lead times, and minimizes channel stuffing risks in the distribution network. Upon completion of the transaction, sales and inventory data are fed back into the system, forming a closed-loop mechanism that links order placement, fulfillment, logistics and sales monitoring within an integrated digital ecosystem.

By digitally linking our operations with distributors and retail sales points across our distribution network, the CMMS facilitates data-driven decision-making, supports integrated operations and process advancement, enables flexible sales and delivery models that address multi-scenario and multi-frontend demand, and lays the groundwork for our transition towards the DTC model.

As of December 31, 2025, substantially all of our distributors and retail sales points within the distribution network, excluding those in remote or overseas locations where registration is not commercially viable, had registered on the CMMS. For distributors that have not registered on the CMMS, we employ the traditional distribution model, where we sell and deliver our products directly to these distributors, who in turn resell our products to retail sales points within their distribution areas.

The CMMS offers the following key features:

Centralized Supply Chain Integration. The CMMS provides a unified digital platform that connects warehouses, distributors and retail sales points, offering real-time visibility into inventory and order status across the distribution network. Once an order is placed, the system automatically checks stock levels across our connected warehouses and allocates resources based on availability and delivery needs. This centralized mechanism consolidates procurement and replenishment planning, prevents redundant stocking by distributors and ensures inventory is distributed where demand arises. In doing so, it improves resource utilization and reduces mismatches between supply and demand.

Direct Product Delivery. Through the CMMS, purchase orders from distributors and retail sales points are instantly verified against our warehouse inventory and dispatched directly to the designated retail sales points or end-consumers. This direct delivery bypasses traditional distributor routing, significantly shortening delivery lead times and reducing logistics complexity. By linking warehouse shipments directly with store-level demand, the system minimizes channel inventory buildup and ensures faster, more accurate fulfillment, thereby improving supply chain efficiency and reducing channel stuffing risks. This model also reduces the day-to-day burden of inventory management for distributors, allowing them to focus resources on marketing and consumer engagement, accelerating the penetration of our products in the market.

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Data-Driven Operations. The CMMS continuously collects and analyzes data from ordering and sales activities across our distribution network, and generates insights into procurement patterns, sell-through performance and consumer preferences at the retail sales point level. By leveraging these insights, we can perform more accurate demand forecasting, refine production planning and design targeted product launches. The system thus enables operational advancement, allowing us to align supply with actual market demand and respond swiftly to changes in consumer behavior or market trends.

Effective Marketing Enablement. The CMMS also serves as an efficient marketing tool. We have embedded a new product promotion module on the homepage of all CMMS accounts. By updating this module on a regular basis, we synchronously disseminate new product information to distributors and retail sales points, including launch plans and promotional notices. This centralized push improves the timeliness and consistency of product communications, shortens the time from product launch to shelf display at retail sales points and enhances coordination of in-store promotions. Since distributors are not encumbered by inventory or clearance pressures, they can swiftly embrace and promote new products in line with our marketing initiatives, ensuring greater agility and stronger alignment with our new product launch strategies.

Scalability and Ecosystem Connectivity. The CMMS has been designed with scalability to support the evolving structure of China’s retail market. It can be extended to cover new retail formats, ensuring coordination between offline and online touchpoints. This adaptability also lays the groundwork for transitioning toward DTC models, as the system already links upstream supply chain operations with downstream retail sales points in a unified framework. By enabling broader ecosystem connectivity, the CMMS enhances both the efficiency and resilience of our digitalized distribution network.

The following table presents the key advantages of the CMMS compared with traditional distribution model:

	Traditional Distribution Model	CMMS
Order Processing	Orders placed manually through layers of distributors, often leading to delays and limited visibility	Orders placed digitally through CMMS accounts, automatically verified against real-time warehouse inventory
Order Fulfillment	Products delivered in batches to distributors, then redistributed to retail sales points, extending lead times	Direct delivery from warehouse to retail sales points or end consumers, bypassing intermediate routing and shortening lead times
Inventory Management	High inventory held at distributor level, prone to mismatch with actual retail demand and risk of channel stuffing	Centralized allocation and replenishment, aligning shipments with retail sales point demand and reducing excess inventory
Data Visibility	Fragmented sales and inventory data, limited ability to monitor end-to-end performance	Real-time, network-wide visibility of orders, inventory and logistics status, forming a closed-loop monitoring system
Distributor Role	Resources diverted to managing stock and logistics	Reduced inventory burden allows distributors to focus resources on marketing, expanding sales coverage and consumer engagement
Marketing Execution	Promotional activities rely on distributors for communication and implementation, often inconsistent and delayed	New product promotion module embedded in CMMS accounts, enabling synchronized and standardized product and campaign rollout

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Digitalized Membership Management

We have established an integrated digitalized consumer management system that effectively engages consumers across various online and offline platforms. Our membership management is primarily supported by the following IT systems:

Consumer database. By synchronizing transaction records across different sales channels, we have built an extensive consumer database with consumer profiles, containing information such as consumers’ username and purchase histories with us. Utilizing our consumer database, we conduct analysis of consumers’ behaviors and preferences to improve our sales and marketing strategies.

MA system. Based on the consumer database, we further implemented a MA system that facilitates intelligent sales and marketing operations. The MA system connects our retail sales points with the consumer database and is able to accurately pinpoint groups of consumers for targeted marketing through tagged group profiles. Our marketing department then devises suitable sales and marketing strategies and distributes customized marketing content to these target consumers. The MA system also enables us to analyze customers’ consumption habits and preferences, thereby informing our product development initiatives. See “Data Privacy and Security” for our approach to protect consumer data.

Membership system. We have instituted a digitalized membership system to support the operation of our loyalty program, which assigns different membership levels to registered members based on their purchase with us. We grant various benefits such as point rewards to consumers according to their membership level.

Digitalized Supply Chain Management

We have established a digitalized supply chain system that supports end-to-end management from raw material sourcing to product delivery, streamlining our supply chain operations and enhancing our operational efficiency. Our supply chain management is primarily supported by the following IT systems:

SAP. SAP system is a type of ERP system that creates a centralized system that enables integration and centralized analysis of critical data across marketing, sales and production. Enabled by the SAP system, we are able to promptly grasp the massive amount of operational and production data and timely adjust our production and procurement plans. Furthermore, this system provides the capability to meticulously trace the lifecycle of our products from development to production and delivery, enhancing transparency and traceability.

MES. MES is a comprehensive production control system that provides real-time monitoring, tracking and management of our manufacturing processes. Supported by the MES, we are able to continuously refine our production process, enhance manufacturing efficiency, ensure product quality and maintain traceability. To complement our MES, we have further implemented a product tracing system that enables precising tracking of each product’s lifecycle from raw materials to post-sale distribution, further improving consumers’ purchasing experience and enhancing their trust in our brand.

WMS. WMS is a warehouse management platform designed to enhance and streamline the management and daily operation of our warehouses. Supported by the WMS, we can integrate our production and logistics process to facilitate a timely supply of raw materials and handle complex distribution and delivery demands.

Digitalized Sales Management

Supported by the ECS and the Cloud Store System, the digitalized sales management system effectively supports the operation and enables the centralized management of our online stores and retail sales points, allowing us to manage our sales efficiently. It also provides valuable insights into sales trends and enables us to make data-driven decisions. Our sales management is primarily supported by the following IT systems:

ECS. Our self-developed ECS is an e-commerce operational system that connects our online stores to our customer service and warehouses, enabling efficient operation and management of our sales activity and real-time tracing of orders and products.

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Cloud Store System. The Cloud Store System serves as the hub that connects our retail sales points, digitalizing their operations through an online portal accessible by consumers via the Weixin Mini Program. Upon entering through the online portal, consumers can browse and purchase products in real-time based on available stock of proximate stores, and are offered a variety of services such as online sales, membership point accrual, drop shipping, order pickup and home delivery. The sales data collated through the system affords us a granular view of consumer preferences across different locales. These insights are instrumental in shaping our marketing and sales strategies, allowing us to tailor our offerings to meet local demands and preferences, thereby fostering a more responsive consumer engagement.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any information technology system failure or downtime that had a material adverse effect on our business operations.

OUR SALES NETWORK

In response to the rapid evolution of the internet and the diversification of cosmetics purchasing channels, we have established an integrated sales network integrating both online and offline channels. Our online channels encompass (i) online directly-operated stores on third-party e-commerce platforms; and (ii) sales to online retailers. Our offline channels cover cosmetics stores, department stores, shopping centers, supermarkets, convenience stores, lifestyle stores and pharmacies, primarily through sales to (i) distributors and (ii) offline retailers. Since 2025, we have further enhanced our offline presence by launching CHANDO self-operated flagship stores in prime shopping centers to enhance consumer reach and brand visibility. As of the Latest Practicable Date, we had opened four flagship stores in Shenzhen, Shanghai, Wuhan and Chongqing. These flagship stores are designed to showcase the full CHANDO product portfolio and place strong emphasis on in-store experiential services, offering consumers an immersive brand experience that reinforces CHANDO’s brand image. We believe our integrated sales network enables us to proactively seize the opportunities presented by emerging sales channels, reach a broader customer base and enhance both consumer loyalty and brand recognition.

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

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Online channels	2,748,762	61.9	3,162,184	68.8	3,695,464	69.5
Online directly-operated stores	1,956,740	44.1	2,436,363	53.0	3,002,612	56.5
Online retailers	792,022	17.8	725,821	15.8	692,852	13.0
Offline channels	1,683,008	37.9	1,421,775	30.8	1,606,011	30.2
Distributors	1,287,093	29.0	939,068	20.4	871,546	16.4
Offline retailers	370,402	8.3	464,221	10.1	716,234	13.5
Other offline sales ⁽¹⁾	25,513	0.6	18,486	0.3	18,231	0.3
Others⁽²⁾	9,997	0.2	16,705	0.4	16,798	0.3
Total	4,441,767	100.0	4,600,664	100.0	5,318,273	100.0

Notes:

- (1) Other offline sales primarily consisted of revenue generated from our offline self-operated stores and counters, and one-off transactions with corporate clients. During the Track Record Period, we operated only a small number of self-operated stores and counters, which accounted for an insignificant portion of our total revenue.
- (2) Others primarily refer to the revenue generated from services fees charged to certain distributors regarding our provision of counters to support their business operations.

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Online Channels

Online channels offer convenient access to our products across various platforms. In 2024, the online retail sales of cosmetics products accounted for 57.4% of the total retail sales in China’s cosmetics industry, according to Frost & Sullivan. In response to this trend, we have established an extensive online sales network that spans all major e-commerce platforms in China. In 2023, 2024 and 2025, revenue generated from our online channels amounted to RMB2,748.8 million, RMB3,162.2 million and RMB3,695.5 million, respectively, accounting for 61.9%, 68.8% and 69.5% of our total revenue in each respective period.

Online Directly-Operated Stores

We directly sell our products to end-customers primarily through our directly-operated online stores on third-party e-commerce platforms such as Tmall, Douyin, JD.com, Pinduoduo, Kuaishou, Xiaohongshu, Vipshop, Meituan, Dewu and Weixin video channels, all of which were Independent Third Parties as of the Latest Practicable Date. Our online stores provide a holistic view of our offerings, allowing consumers to explore suitable options and make purchases at their convenience. Consumers can place orders for our products in our directly-operated online stores and make payments via online payment channels provided by such platforms. Under such model, we are responsible for the inventory management, logistics, fulfillment and after-sales services of the orders, and thus retain full discretion as to the inventory levels of our stores based on our inventory management policy, see “— Procurement, Inventory and Logistics Management — Warehousing and Inventory Management.” We recognize revenue upon sale to end customers through our stores, with payment flowing directly from consumers to us. We operated 40, 45 and 57 directly-operated online stores as of December 31, 2023, 2024 and 2025, respectively, in line with our business strategy in emphasizing online direct sales to deepen consumer engagement and enhance brand recognition. 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.

We have maintained a long-term business relationships with major e-commerce platforms for an average of over six years. During the Track Record Period, no single platform accounted for an unduly high proportion of revenue, and we did not rely on any single platform for the continuity of our operations; therefore, we are of the view that we had no material concentration risks associated with any single e-commerce platform. In view of our long-standing and stable cooperation with e-commerce platforms and the relatively stable market environment of these platforms over the past years, our Directors are of the view that our business relationships with these major e-commerce platforms would not terminate or experience any material adverse change going forward. Based on the due diligence work conducted by the Joint Sponsors in connection with the Group’s sales channels, nothing material has come to the attention of the Joint Sponsors in relation to the Company’s cooperation with the e-commerce platforms that would cast doubt on the Company’s view of the same.

The salient terms of our standard agreements with major e-commerce platforms for our directly operated online stores during the Track Record Period are set forth below:

- *Payment and Credit Terms.* The payment terms are generally subject to the rules of the e-commerce platforms and may be adjusted based on changes in our credit score and other factors.
- *Platform Service Fee.* We generally pay annual technical service fees at a certain ratio of the annual transaction amount, according to the standards published by the e-commerce platforms.

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- *Security Deposit.* We typically pay a deposit to the platform which is generally used as a guarantee against violations and unpaid service fees. The amount and payment method of the deposit shall be determined in accordance with admission standards and other related rules and agreements.
- *Renewal and Termination.* Our agreements with e-commerce platforms for directly operated online stores are usually automatically renewed at a fixed time each year, with each extension typically lasting one year. Before expiration, either party may terminate the agreement early by giving prior written notice to the other party.

Online Retailers

In line with industry practice, we also cooperate with online retailers to expand our online sales coverage, primarily including Vipshop, JD.com’s self-operated stores and merchants on other e-commerce platforms. We sell our products to these online retailer, who in turn sell our products to consumers. As of December 31, 2023, 2024 and 2025, we cooperated with 40, 37 and 32 online retailers, respectively, who, to the best of our knowledge, operated 92, 86 and 67 online stores, respectively. The decrease in the number of online retailers and their associated online stores was primarily attributable to our strategic shift toward a higher proportion of directly-operated online sales, our continued optimization of partner selection with a focus on stronger operators, and the industry-wide increase in traffic and platform costs that caused certain retailers to change business direction. Accordingly, in 2023, 2024 and 2025, our revenue generated from sales to online retailers was RMB792.0 million, RMB725.8 million and RMB692.9 million, respectively, accounting for 17.8%, 15.8% and 13.0% of our total revenue in each respective period.

We generally enter into sales and purchase agreements with online retailers under which we have a buyer-seller relationship with online retailers, pursuant to which we sell our products to online retailers and recognize revenue upon receipt, with payment flowing directly from online retailers to us based on the payment and credit terms as set out in below summary of salient terms. The inventory levels maintained by online retailers on major e-commerce platforms are determined through a combination of our supply guidance and each retailer’s independent assessment of expected demand. We provide retailers with recommended inventory ranges based on historical sell-through performance, upcoming promotional schedules and planned marketing activities, while retailers place replenishment orders at their own discretion taking into account their sales forecasts, operating strategies and inventory turnover preferences. We do not control or mandate the inventory levels maintained by these retailers. However, we continuously monitor overall inventory turnover to prevent inventory build-up.

The salient terms of our standard agreements with online retailers during the Track Record Period are set forth below:

- *Duration.* The duration of the agreements is typically one year.
- *Minimum purchase requirements and sales targets.* We generally do not set minimum purchase requirements or sales targets for online retailers as guidance.
- *Pricing policy.* We generally sell our products to distributors at a discount from the retail prices of our products, and provide them with pricing guidelines that set a recommended retail price for each product. We are entitled to adjust the pricing guidelines.
- *Payment and credit terms.* We generally require full payment in advance, or may grant a credit period within 90 days to certain online retailers.
- *Logistics.* We are generally responsible for delivering products to locations designated by online retailers.
- *Transfer of risks.* Risks are transferred to online retailers when they confirm receipt of our products.

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- *Return arrangements.* Online retailers may return our products under specific conditions, including instances of product defects, exceeded shelf-life, or consumer returns.
- *Termination.* Either party reserves the right to terminate the contract should the other party breach the agreement and fail to remedy such breach within a reasonable timeframe.

Offline Channels

We have established a nationwide offline sales network covering over 64,800 retail sales points as of the Latest Practicable Date, which were primarily operated by our distributors and offline retailers. Our offline channels encompass a diverse array of retail formats, such as department stores, shopping centers, cosmetics stores, supermarkets, convenience stores, lifestyle stores, pharmacies and various emerging retail formats. We employ tailored sales strategies for each retail format to optimize consumer service and drive sales effectively. In addition, we are further strengthening our offline presence through opening of our CHANDO self-operated flagship stores since July 2025. In 2023, 2024 and 2025, revenue generated from our offline channels amounted to RMB1,683.0 million, RMB1,421.8 million and RMB1,606.0 million, respectively, accounting for 37.9%, 30.8% and 30.2% of our total revenue in each respective period.

Distributors

Consistent with industry practice, we cooperate with a number of distributors who resell our products to cosmetics stores, department stores, shopping centers, supermarkets, convenience stores, lifestyle stores and pharmacies. We also cooperate with a few distributors that sell our products to online stores. We believe that our cooperation with distributors with well-established channel resources and operation capabilities can help us enhance market penetration and bolster brand recognition. Following the implementation of our CMMS, we generally require all registered distributors to place orders through the system, which enhances our management over distributors’ order statuses. As of December 31, 2023, 2024 and 2025, we engaged 226, 289 and 311 distributors, respectively. In 2023, 2024 and 2025, our revenue generated from sales to distributors was RMB1,287.1 million, RMB939.1 million and RMB871.5 million, respectively, accounting for 29.0%, 20.4% and 16.4% of our total revenue in each respective period.

The following table sets out a breakdown of the number of our distributors by geographic region as of December 31, 2023, 2024 and 2025:

	As of December 31,		
	2023	2024	2025
North China and Northeast China	51	55	52
East China and Central China	102	144	153
South China and Southwest China	49	62	78
Northwest China	20	23	21
Overseas ⁽¹⁾	4	5	7
Total	226	289	311

Note:

(1): Mainly including the United States, Canada, Vietnam, and Malaysia.

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The following table sets out a breakdown of the number of our distributors by city tier as of December 31, 2023, 2024 and 2025:

	As of December 31,		
	2023	2024	2025
Tier 1 Cities	17	30	42
New Tier 1 Cities	54	82	86
Tier 2 Cities	49	56	62
Tier-3 cities and below	102	116	114
Overseas ⁽¹⁾	4	5	7
Total	226	289	311

Note:

(1): Mainly including the United States, Canada, Vietnam, and Malaysia.

We typically enter into buyer-seller relationships with our distributors and recognize revenue when products are delivered to the retail sales points, with payment flowing directly from distributors to us based on the payment and credit terms as set out in below summary of salient terms. The salient terms of our standard distribution agreements used during the Track Record Period are set forth below:

- *Duration.* The duration of the agreements is typically one year.
- *Designated distribution area.* The distributors are only allowed to sell the products within the designated distribution areas or channels.
- *Sales and performance targets.* We establish periodic sales and performance targets for our distributors by setting annual retail sales targets and annual purchase and payment targets. We provide incentives for achieving these goals calculated as a specific percentage of actual purchase payments, provided that distributors comply with our policies and meet the performance targets. As advised by Frost & Sullivan, it is common for companies to provide incentives to their distributors in our industry. Should distributors fail to meet these performance targets, we reserve the right to terminate their rights to cover specific retail sales points.
- *Pricing policy.* We generally sell our products to distributors at a discount from the retail prices of our products, and provide them with pricing guidelines that set a recommended retail price for each product. We are entitled to adjust the pricing guidelines.
- *Payment and credit terms.* We generally require full payment in advance, or may grant certain distributors a credit period within 60 days.
- *Logistics.* With the implementation of the CMMS, we are generally responsible for delivering our products directly to the retail sales points or end consumers specified in the purchase orders placed through the CMMS. Distributors are responsible for handling the logistics of products for return or exchange sent back by their customers, and are required to deliver the returned or exchanged products back to our warehouses.
- *Return policy.* We accept product returns from our distributors in cases of product returns by the consumers due to product damage, discrepancies, wrong delivery, expired products and other causes that are not attributable to the distributors.
- *Transfer of risks.* With the implementation of the CMMS, the ownership of products and associated risks are transferred to distributors when the products are delivered and confirmed receipt by the designated retail sales points or end consumers.

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- *Sub-distribution.* We generally do not allow our distributors to set up or sell products to sub-distributors, except for a limited number of specialty channels with group-purchase or corporate customers to support order fulfillment where we have obtained written undertakings from sub-distributors for compliance with our pricing and distribution policies. During the Track Record Period, we did not enter into any agreements with sub-distributors. To the best of our knowledge, the number of sub-distributors engaged by our distributors was ten, five and three in 2023, 2024 and 2025, respectively. In general, our distributors are responsible for managing their sub-distributors, including ensuring that the sub-distributors’ operations are in line with our overall sales and distribution strategy. In the event of any violation or misconduct of sub-distributors identified by our distributors, our distributors would notify the relevant sub-distributors and request them to take rectification measures. In case of failure to promptly correct or rectify the relevant violation or misconduct, our distributors may terminate the business relationship with relevant sub-distributors.
- *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 failure to obtain required qualifications.

The following table sets out the number of our distributors and their movements for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
Number at the beginning of the period .	286	226	289
Number of distributors newly engaged . . .	26	82	70
Number of distributors terminated	86	19	48
Number at the end of the period	226	289	311

We carefully consider a number of factors in selecting our distributors, including their industry experience, reputation, operational scale, financial condition, marketing expertise, and local channel resources to ensure they are capable and well-resourced. We regularly review the performance of our distributors after engagement to ensure that they remain capable and compliant with our internal guidelines and applicable laws and regulations. Specifically, we conduct periodic assessments of distributors based on their achievement of performance targets, adherence to contractual obligation, and credit standing. We reserve the right to terminate cooperation with the distributor who underperforms or breaches the distribution agreement, including unauthorized distribution outside designated distribution areas and failure to maintain required qualifications.

During the Track Record Period, we have continuously worked to consolidate and optimize our distribution network. In 2023, 2024 and 2025, we terminated cooperation with 86, 19 and 48 distributors, respectively, primarily considering their performance, business focus and market conditions, and to consolidate our channel resources to enhance supply chain management and supervision efficiency. The relatively higher number of distributor terminations in 2022 and 2023 was mainly due to the impact of the pandemic and broader market conditions, which prompted some distributors to exit the market, as well as our efforts to consolidate channel resources through the implementation of the CMMS in our distribution network. Focusing on distributors with strong channel resources, we also engaged 26, 82 and 70 distributors in 2023, 2024 and 2025, respectively, to strengthen our distribution network and broaden product reach. In particular, the increase in newly engaged distributors in 2024 was primarily driven by our intensified expansion into personal care product channels.

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Channel stuffing risk management. Our CMMS effectively helps us mitigate substantially all risks associated with channel stuffing. By requiring distributors to place orders through the system, and directly dispatching products from our warehouses to retail sales points or end consumers, the CMMS provides real-time visibility into distributor orders. In the distribution model where distributors resell to retail sales points, distributors do not stock inventory and place orders only after receiving end-user demand. In addition, we generally do not allow product returns from distributors, and only accept product returns in certain cases such as product defects that are not attributable to the distributors’ fault. We believe that these mechanisms collectively discourage speculative ordering and ensure that product flow aligns with actual market demand.

Anti-cannibalization risk management. We also adopt a set of measures to avoid cannibalization among our distributors, including (i) adopting a standard pricing policy for all our products, providing distributors with recommended retail prices as guidance, as well as monitoring the implementation of our pricing policies to facilitate the consistency and stability of our sales network; (ii) assigning specific regions or channels to each distributor to avoid competition or overlapping of customers in their distribution networks; (iii) tracking their orders and product logistics through the CMMS to prevent cross-regional sales and other unauthorized distribution activities; (iv) instituting a product tracing system to facilitate the detection of unauthorized sales outside their designated areas; and (v) regularly analyzing sales data to understand product performance across channels to inform our product placement and distribution strategies.

To our best knowledge, during the Track Record Period, eight of our distributors were controlled by our former employees (“former employee-distributor(s)”), and one of our distributors is a relative of our Directors (“connected distributor”). We had ceased cooperation with the connected distributor in April 2024 following the deregistration of its company due to a shift in its own business directions for commercial reasons unrelated to its relationship with our Company. We had also terminated cooperation with three of the former employee-distributors since 2024 due to underperformance or a shift in their business focus. In 2023, 2024 and 2025, revenue contribution from the aforementioned distributors accounted for 1.0%, 0.6% and 0.7% of our total revenue, respectively. We applied the same selection criteria and procedures when considering cooperation with the aforementioned distributors, and did not enter into preferential agreements with any of these distributors. All relevant transactions with the aforementioned distributors were conducted on an arm’s length basis. The procurement of our former employee-distributors’ services all occurred after the termination of their employment relationships. Save as disclosed above, to our best knowledge, all other distributors we engaged during the Track Record Period were Independent Third Parties and such distributors do not have any past or present family, business, employment, or financial relationships with us or our subsidiaries, our shareholders, directors or senior management.

Offline Retailers

Our offline retailers primarily consist of cosmetics stores, department stores, shopping centers, supermarkets, convenience stores, lifestyle stores and pharmacies, which in turn sell our products to end-customers. As of December 31, 2023, 2024 and 2025, we directly sold our products to 199, 228 and 236 offline retailers, respectively. We believe that cooperation with offline retailers is beneficial to consolidate our market share and penetrate local markets more effectively. In 2023, 2024 and 2025, our revenue generated from offline retailers was RMB370.4 million, RMB464.2 million and RMB716.2 million, respectively, representing 8.3%, 10.1% and 13.5% of our total revenue in each respective period.

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The following table sets out a breakdown of the number of our offline retailers by geographic region as of December 31, 2023, 2024 and 2025:

	As of December 31,		
	2023	2024	2025
North China and Northeast China	57	56	60
East China and Central China	107	112	119
South China and Southwest China	29	50	45
Northwest China	6	10	12
Total	199	228	236

The following table sets out a breakdown of the number of our offline retailers by city tier as of December 31, 2023, 2024 and 2025:

	As of December 31,		
	2023	2024	2025
Tier 1 Cities	107	110	110
New Tier 1 Cities	31	46	46
Tier 2 Cities	25	31	31
Tier-3 cities and below	36	41	49
Total	199	228	236

We generally enter into sales and purchase agreements with offline retailers under which we have a buyer-seller relationship with offline retailers and recognize revenue upon receipt, with payment flowing directly from offline retailers to us based on the payment and credit terms as set out in below summary of salient terms.

The salient terms of our standard agreements with offline retailers during the Track Record Period are set forth below:

- *Duration.* The duration of the agreements is typically one year.
- *Minimum purchase requirements and sales targets.* We generally do not set minimum purchase requirements or sales targets for offline retailers.
- *Pricing policy.* We generally sell our products to distributors at a discount from the retail prices of our products, and provide them with pricing guidelines that set a recommended retail price for each product. We are entitled to adjust the pricing guidelines.
- *Payment and credit terms.* We generally grant offline retailers a credit period within 90 days.
- *Logistics.* We are generally responsible for delivering our products to offline retailers.
- *Transfer of risks.* Risks are transferred to offline retailers after they confirm receipt of our products.
- *Return arrangements.* Offline retailers may return products due to defects or if the products are approaching their expiration date.
- *Termination.* Either party reserves the right to terminate the contract should the other party breach the agreement and fail to remedy such breach within a reasonable timeframe. During the Track Record Period and up to the Latest Practicable Date, we did not terminate cooperation with any offline retailers or distributors due to a material breach of contract terms or any material disputes.

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Coordination Among Sales Channels

We strategically manage our sales channel operations across our sales network to optimize resource allocation and prevent cannibalization. Specifically:

- **Online channel coordination.** For online channels, we have adopted a standard pricing policy for identical SKUs while tailoring product offerings to the consumer demographics of each online platform to avoid direct competition among different platforms. For example, we offer products at varying price points to match platform-specific consumer preferences. We also offer differentiated online product portfolios, including channel-exclusive sets and limited-edition items, to reduce overlap between our online directly-operated stores and third-party online retailers operating on the same e-commerce platforms. These measures manage intra-platform competition in an environment where online channels are not subject to territorial restrictions.
- **Offline channel coordination.** For offline channels, we have also adopted a standard pricing policy for identical SKUs while tailoring sales strategies for each retail format. Supermarkets and lifestyle stores focus on our everyday essential products, while shopping centers stock a broader range of items and selected higher-priced products. To prevent unfair competition among distributors and offline retailers serving similar retail formats, we impose a strict regional delineation regime and monitor distributor orders through the CMMS to prevent cross-regional sales and unauthorized distribution. Our distributor agreements clearly define distribution rights, prohibit cross-regional sales and include clauses against unauthorized distribution. We have also established a product traceability system to track product movements across channels and enable timely identification of irregularities. Our audit department conducts regular spot checks on product origins, and our joint multi-department team enforces corrective actions for confirmed violations to maintain market order. To enforce regional delineation, we maintain real-time monitoring of distributor order flows through the CMMS, conduct trace-back checks on product serial codes and logistics records and evaluate distributor sell-out patterns to detect irregularities that may indicate cross-regional diversion. We also apply contractual remedies such as written warnings, suspension of supply and termination for repeated violations. These enforcement measures have enabled us to identify and rectify isolated non-compliant activities promptly during the Track Record Period.
- **Cross-channel coordination.** As detailed above, we offer exclusive products through selected sales channels to prevent unhealthy competition between online and offline channels. For identical SKUs sold across channels, we adopt unified pricing, supported by differentiated promotional gifts, to maintain commercial distinction without altering the pricing structure. These measures minimize consumer diversion among cosmetics stores, department stores and shopping centers. We have also adopted a disciplined pricing management policy to manage the price of our products across channels, including entering into agreements with distributors to clearly stipulate our pricing policies, providing recommended retail prices as guidance and conducting ongoing monitoring of market prices of our products to ensure their adherence to our agreements. We also review promotional activities and product presentation across channels to ensure consistency with our brand positioning and compliance with our pricing framework.

Our Directors are of the view that the above measures are effective in managing cannibalization risks, coordinating pricing arrangements and maintaining orderly development of our sales channels, based on (i) the absence of any material disruption or significant channel conflict during the Track Record Period, (ii) the stability of our pricing system across online and offline channels supported by real-time monitoring and enforcement mechanisms, and (iii) the demonstrated effectiveness of our regional delineation regime evidenced by the limited number of confirmed cross-regional unauthorized sales by distributors. Based on the due diligence work

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conducted by the Joint Sponsors in connection with the Group’s sales channels and related monitoring measures, nothing material has come to the attention of the Joint Sponsors that would cast doubt on the Company’s view in relation to the effectiveness of the Group’s measures to manage cannibalisation, pricing and sale channel coordination.

PRICING

In line with the market positioning for our brands and specific products, we set the price of our products based on various factors, including market conditions, 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 across all channels, providing channel partners like distributors and retailers with recommended retail prices as guidance. We also monitor the implementation of our pricing policies to facilitate the consistency and stability of our sales network. Specifically, we enter into agreements with distributors that clearly stipulate our pricing policies and brand management guidelines, as well as any applicable laws and regulations. Our sales department conducts ongoing monitoring of adherence to these contractual terms, while the audit department establishes a dedicated team to carry out inspections on distributors’ pricing compliance and implementation of brand guidelines.

We may, from time to time, engage in offering discounts and take part in promotional activities organized by third-party e-commerce platforms and retail sales points. Additionally, in line with our membership policies, we may provide rewards and discounts to our registered members. For details of pricing policy for distributors and retailers, see “— Our Sales Network.”

MARKETING AND BRANDING

Our marketing and branding initiatives are instrumental to our success. Through an integrated strategy encompassing commercial advertising, online marketing and offline marketing, complemented by our membership system and the engagement of brand ambassadors, we have cultivated a loyal customer base and enhanced brand recognition across sales channels.

Brand Building

Our brand-building initiatives are designed to foster a deep connection with our consumers. In conveying our brand philosophy to consumers, we employ a variety of traditional media mediums such as television, outdoor billboards and elevator advertisements to reach a broad base of consumers in their daily life. Our marketing contents are thoughtfully created, integrating brand philosophy, visual aesthetics, and strategic engagement tactics to create a lasting impact on our target consumers. This tailored communication strategy is pivotal in articulating the core values, heritage, and vision of our brands, fostering a meaningful dialogue with our consumer community.

We have also engaged brand ambassadors to amplify our brands’ reach and influence. By selectively partnering with reputable celebrities who we believe align with our brand values and ethos, we tap into their extensive followings to introduce our products to a wider consumer base. Our brand ambassadors engage with audiences through a variety of marketing channels, including e-commerce and social media platforms, public appearances and exclusive promotional events hosted by us, effectively utilizing the brand ambassadors’ influence to enhance brand visibility, attract new customers, and reinforce our brands’ positioning in the market.

Online Marketing

We employ a variety of online marketing initiatives tailored to the ambiance of different third-party e-commerce platforms, which help us to increase interactions with target consumers, expand our consumer base and promote our brand awareness. We also place advertisements in online TV programs including during commercial breaks, as well as through mini-series of advertising drama.

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Livestreaming is one of our core marketing initiatives. We operate a dedicated in-house livestreaming team and also work with external KOLs to maximize reach and impact. The in-house livestreaming team comprises our own employees. External KOLs promote our online directly-operated store to their respective followers, who complete purchases directly through the flagship store. Consequently, external KOLs do not constitute our direct customers. Through livestreaming campaigns, we promote flagship SKUs, introduce new product launches and interact with consumers in real time, driving both engagement and conversion across platforms such as Douyin and Kuaishou. 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. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material concentration risk associated with any single KOL.

The following sets forth a summary of the salient terms of our typical agreements with external KOLs:

- *Duration.* The term of the agreements is typically one year.
- *Service Type.* We generally engage external KOLs to provide a series of promotional services during livestreaming sessions on designated social media platforms, including delivering product or brand information to users.
- *Inspection.* We typically set clear requirements regarding video exposure, retention period, and promotion platforms, and generally require the KOLs to grant us the right to use the video materials.
- *Profit Sharing and Payment.* We usually reconcile and settle payments with KOLs within a specified period after the livestream, based on the actual transaction amount and a fixed rate.

We have implemented structured internal control measures to monitor the conduct of KOLs cooperating with us, including (i) our agreements with KOLs include provisions requiring them to provide livestreaming services in compliance with all applicable laws and regulations; (ii) we maintain a dedicated team responsible for pre-approving published content or providing standardized scripts to ensure compliance with the Advertising Law and other prohibitive requirements relating to livestreaming sales; and (iii) we assign personnel to monitor the operation of livestreaming sessions and the performance of KOLs, with immediate rectification measures taken upon identification of any issues. Considering (i) our stable cooperation with both our in-house livestreaming team and external KOLs, (ii) our structured internal control measures, and that (iii) no material penalties or violations related to advertising laws or other applicable laws and regulations had occurred with respect to our KOLs during the Track Record Period and up to the Latest Practicable Date, our Directors, based on the opinion of the PRC Legal Advisor, are of the view that we had complied with all applicable laws and regulations governing advertising and livestreaming activities in all material respects during the Track Record Period and up to the Latest Practicable Date. Based on the independent due diligence performed by the Joint Sponsors and the analyses above, nothing material has come to the attention of the Joint Sponsors to cast reasonable doubt on the Directors' view above.

In parallel, we maintain an active brand presence across major media and e-commerce platforms through official accounts, where we regularly publish content about our brands and products, share beauty and skincare tips, and respond to consumer inquiries. We also encourage user-generated content and word-of-mouth sharing to foster community interaction. In 2024, our marketing and branding content on Douyin generated approximately 14.0 billion impressions.

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We also conduct themed marketing campaigns, such as the short video series named “Incredible Ingredients from China” that showcases our dedication to natural ingredients on Douyin and Weibo, to enhance our brand reputation. Since the initial release of such video series on the internet, it harvested more than 5.0 billion views on both platforms. Furthermore, we organize promotional events in partnership with third-party e-commerce platforms, particularly during festive seasons, to stimulate product sales. For instance, during the Double Eleven shopping festival, we provided discounts and other incentives through our online stores on these platforms to attract consumers and boost sales.

Offline Marketing

We host in-store promotional events for new products and private beauty workshops for invited consumers to provide immersive brand experiences. These events allow direct interaction between consumers and us, enhancing engagement and fostering loyalty. Further enriching the customer experience, the counters of our brands at retail sales points are staffed with beauty advisors who offer personalized consultations and advice, assisting customers to select products that suit their needs and preferences, improving the overall shopping experience.

Membership System

We have instituted a membership system that drives consumer engagement both online and offline. Through our membership system, we provide registered members with exclusive membership benefits, including early access to new products, special discounts and personalized beauty recommendations. Our membership system assigns different membership levels to registered members based on their purchases with us. We grant various benefits such as point rewards to registered members according to their membership level for their purchases and referrals. Specifically, points accrued from purchase or referral activities generally remain valid until the end of the calendar year following the date of acquisition, whereas points granted through non-purchase activities (such as daily check-ins) typically carry a validity period of 90 days. Our reward points can generally be redeemed at both self-operated stores and at stores or counters managed by distributors or retailers. Reward points redeemed by consumers are settled through our Cloud Store system, and the corresponding settlement amount is recorded in CMMS and credited to the distributor’s account for subsequent product procurement. Through this initiative, we aim to foster a strong sense of community among our consumers, enhancing their connection to our brands and encouraging repeat purchases. In 2023, 2024 and 2025, we had active paying members of approximately 3.6 million, 3.9 million and 5.0 million, respectively.

In 2025, the repurchase rate of our registered members for CHANDO was approximately 30.7%, higher than the industry average, according to Frost & Sullivan.

PROCUREMENT, INVENTORY AND LOGISTICS MANAGEMENT

Procurement

Our raw materials mainly comprise (i) functional raw materials, such as wax-based oils and surfactants, and (ii) packaging materials, including glass, plastic, aluminum foil, non-woven and paper products. During the Track Record Period, we primarily procured our raw materials in China.

We maintain a centralized supplier management system with a structured selection and evaluation process. Our procurement department reviews supplier qualifications, conducts periodic performance assessments and updates the approved supplier list. Supplier selection considers R&D capability, quality control, production capacity, pricing and alignment with our Group. We regularly assess existing suppliers on product quality, delivery, after-sales service and pricing, and may terminate relationships that fail to meet our standards. To mitigate risks such as supply shortages or price fluctuations, we source key materials from multiple suppliers and seek long-term partnerships to ensure stable and reasonably priced supply. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material raw materials shortages or delays affecting operations.

BUSINESS

Warehousing and Inventory Management

As of the Latest Practicable Date, we had seven warehouses, including two in Shanghai (a central warehouse and a sub-warehouse), and one each in Wuhan, Qingyuan, Tianjin, Kunshan and Jinhua. Our warehouses serve as the distribution centers for our products. Following the implementation of CMMS, all products are stored in our warehouses until purchase orders are received through the system. Products are then directly dispatched from our warehouses to retail sales points or end consumers pursuant to the order information.

Our inventories primarily consist of raw materials, work in progress and finished goods. As of December 31, 2023, 2024 and 2025, we had inventories of RMB488.1 million, RMB439.7 million and RMB475.7 million, respectively. Our CMMS and digitalized supply-chain system display real-time inventory balances and inbound/outbound records, helping reduce storage costs and the risk of obsolescence. We strive to lower our stock levels through more efficient inventory management. Our minimum inventory levels are determined based on a number of factors, including our procurement schedule, the standard shelf life of inventory, monthly consumption, historical sales, sales forecasts, and changes in market demand. With CMMS support, we have adopted a data-driven approach to determine and timely adjust the optimal level of inventories based on actual sales and market demand.

Transportation and Logistics

During the Track Record Period, we primarily engaged third-party logistics service providers to provide warehousing and delivery services. We select logistics service providers based on their reputation, scale of operation, track record and service fee rate. We typically enter into one-year agreements on standard terms with our logistics service providers. Our logistics service providers bear the risks associated with the delivery of our products and are liable for product damage occurring during the transportation process. We assess our logistics service providers based on delivery performance, transportation capability and overall service quality. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material delivery disruptions or losses caused by late delivery or mishandling by logistics service providers.

PRODUCTION

We operate four strategically located production bases that enable in-house production from ingredients to finished products, a capability shared by only a few leading cosmetics companies in China, according to Frost & Sullivan. In particular:

- ***Linzi production base.*** Our Linzi production base specializes in processing locally sourced plant extracts into semi-finished products through extraction, cell-tissue culture and thermal-spring-water processing.
- ***Shanghai cosmetics production base.*** Our cosmetics production base in Shanghai is responsible for producing finished products with advanced formulation, filling and packaging technologies.
- ***Shanghai fermentation production base.*** In August 2025, we opened a fermentation production base in Shanghai focusing on the production of HiMurchaSin and other active ingredients through fermentation technologies. The new base enhances our upstream capabilities and supports the development of fermentation-based raw materials. As production scales up, we expect improvements in procurement efficiency, cost visibility and planning flexibility.
- ***Shanghai cosmetics production base (third phase).*** In October 2025, the third phase of our Shanghai cosmetics production base commenced operation. This facility focuses on producing finished products, including filling and packaging. It expands our production capacity and increases process automation to support growing demand. Additionally, the production base encompasses a new facility, “Oriental Beauty Valley • Chando Future Beauty City (東方美谷 • 自然堂未來美妝城),” which features visitor experiences, educational programs for students, and a factory outlet. Notably, this facility has been recognized as one of Shanghai’s Top 10 Cultural and Tourism Landmark Projects of 2025 (2025年上海十大文標志項目).

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By keeping most production in-house, we maintain control over key stages of the production process, supporting consistent product quality and safety. This structure also enables timely responses to market demand and supports product-launch schedules. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged production stoppage due to equipment failure, nor did we experience any material accidents during our production process.

The following table sets forth details in relation to our production bases in operation as of the Latest Practicable Date:

No.	Production base	Location	Main production activities	Year of operation	Designed Production capacity	GFA (sq.m)
1 . .	Shanghai cosmetics production base	Shanghai, PRC	Finished products	2008	20,095 tons annually	65,588.2
2 . .	Linzhi production base	Linzhi, Xizang, PRC	Semi-finished products	2021	12,624 kg annually	3,048.3
3 . .	Shanghai fermentation production base	Shanghai, PRC	Ingredients	2025	1,010.5 tons annually	2,813.9
4 . .	Shanghai cosmetics production base (third phase)	Shanghai, PRC	Finished products	2025	8,007 tons annually	61,879.9

In addition, to maximize production efficiency and expand our production portfolio, we engaged OEM suppliers mainly for certain raw materials, product sets and packaging. We also cooperated with selected ODM suppliers, mainly for the production of facial masks and certain pen-type color cosmetics products. We select OEM and ODM suppliers based on pricing, quality, capacity, financial condition, scale and reputation. We generally engage in long-term collaborations with our OEM and ODM suppliers to ensure supply chain stability. We have procedures to monitor OEM and ODM production, including mandatory qualifications, regular quality and safety inspections, and production-environment protocols, which help protect intellectual property and strengthen supply-chain quality control. During the Track Record Period, an average of approximately 88% of our finished products were manufactured in-house, while an average of 10% and 2% were produced by ODM and OEM suppliers, respectively, based on production value. For raw materials, the average proportion of self-produced versus externally procured was approximately 6% and 94%, respectively, during the Track Record Period.

The salient terms of our standard agreements with major ODM and OEM suppliers during the Track Record Period are set forth below:

- *Duration.* Our contracts with major ODM and OEM suppliers generally start from the signing date for one or two years, and the contract may be renewed for the following year by mutual agreement upon expiry.
- *Payment terms.* We generally provide the counterparty with a credit period within 90 days and reconcile and settle accounts on a monthly basis.
- *Logistics.* The ODM/OEM supplier is responsible for transportation and all related costs during transit, including insurance fees.
- *IP protection.* The ODM/OEM supplier is obligated to implement appropriate security and confidentiality measures, including setting up no-photography zones in production areas, and must return all information related to trade secrets within a specified period after contract termination or expiration.

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- *Transfer of risk.* Risk transfers to us upon receipt and warehousing of goods.
- *Inspection.* We inspect the ODM/OEM supplier’s production qualifications and certifications and any equipment or facilities that may affect production quality. Product warranty terms set by the counterparty must also be confirmed by us.
- *Quality issues.* Any quality issues discovered after warehousing that are caused by the ODM/OEM supplier’s negligence shall be borne by the supplier, including replacement or remedial actions.
- *Termination.* Either party may terminate the contract by giving prior written notice within a specified time frame.

To ensure ODM and OEM suppliers comply with manufacturing standards, we have established a comprehensive supplier management and quality control framework. This includes a tiered supplier admission and ongoing evaluation mechanism with pre-assessments and on-site reviews covering tax compliance, formula compliance, and equipment readiness. All products must pass multi-dimensional testing by our R&D center before cooperation, followed by the agreement of detailed quality specifications and jointly defined standards for core components. Safety audits are required throughout the entire process from raw materials to finished goods. In addition, supplier compliance and safety obligations are clearly stipulated in contracts with corresponding breach clauses. We also conduct monthly quality performance evaluations on incoming goods, dynamically optimize standards based on identified issues, and implement tiered controls, supported by routine assessments, surprise inspections, and continuous guidance to drive ongoing improvement.

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The ingredients manufactured at our Linzhi production base, including freeze-dried powder, cell culture extract, tea powder and purified thermal spring water, are primarily used as functional actives in our skincare formulations. Freeze-dried powder and tea powder are incorporated into products designed for purifying, soothing or targeted treatment benefits, such as clay masks and other deep-cleansing or complexion-refining products. Cell culture extract, which contains a high concentration of bioactive components, serves as a core functional ingredient in firming, repairing and anti-aging product lines, supporting skin resilience and visible improvement in texture. Purified thermal spring water is used in sensitive-skin formulations, providing calming and moisture-balancing effects in products such as repairing sprays. The following table sets forth the details of our production capacity of our Linzhi production base by ingredient category for the periods indicated:

Ingredient Category	Year ended December 31,					
	2023		2024		2025	
	Designed Capacity (Kg)	Actual Production Utilization Rate ⁽⁵⁾ (%)	Designed Capacity (Kg)	Actual Production Utilization Rate ⁽⁵⁾ (%)	Designed Capacity (Kg)	Actual Production Utilization Rate ⁽⁵⁾ (%)
Freeze-dried powder ⁽¹⁾	64	51 80.4	64	28 43.8 ⁽⁵⁾	64	60 93.4
Cell culture extract ⁽²⁾	1,500	1,122 74.8	3,600	3,215 89.3	3,600	4,091 113.6 ⁽⁴⁾
Tea powder ⁽³⁾	960	820 85.4	960	114 11.7 ⁽⁵⁾	960	310 32.2 ⁽⁵⁾
Purified thermal spring water	—	—	8,000	5,845 73.1	8,000	6,118 76.5
Total	2,524	1,993 79.0	12,624	9,202 72.9	12,624	10,579 83.8

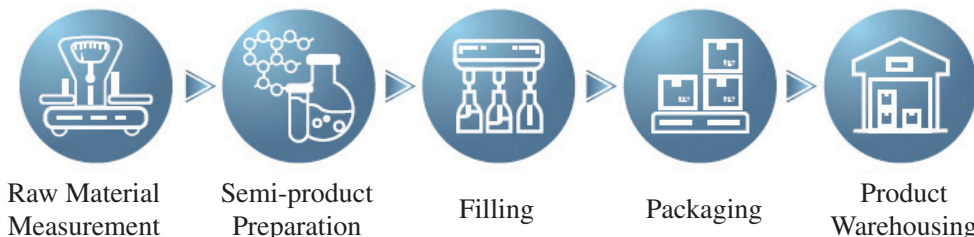
Notes:

- (1) The designed capacity for freeze-dried powder is calculated based on the following operational assumptions: (i) the production of one batch requires a total of three days, which includes one day for extraction solution preparation and two days for the freezing process; (ii) with minimal overtime, two batches are completed per week; (iii) each batch yields approximately 0.8 kg of powder; and (iv) the annual production schedule operates for 10 months each year.
- (2) The production volume of cell culture extract is directly linked to cell yield. The cell culture cycle is typically one month, and a single incubator has a maximum monthly production capacity of only 2 kg of cells. Without additional production equipment, this output represents the maximum attainable capacity, which cannot be increased by extending the cultivation time. In 2023, additional equipment was introduced, increasing annual capacity to approximately 1,500 kg. Further expansion occurred in 2024 with more and slightly larger units, boosting annual extract output to about 3,600 kg.
- (3) Tea powder is a by-product generated during the production of tea extract and freeze-dried powder; its production capacity is therefore constrained by the output of these two ingredients. The designed annual capacity is calculated under the assumption that production is based solely on tea extract, with no parallel production of freeze-dried powder. This would result in a weekly tea powder of 24 kg, which equates to a monthly output of 96 kg.
- (4) The utilization rate of cell culture extract exceeded 100% in 2025, primarily because two incubators previously used for research and development were also deployed for production purposes during the year.
- (5) At the beginning of each year, operation at this production base in Linzhi is typically suspended for two months due to the Chinese New Year holiday and heavy snowfall. In addition to weather-related factors, our utilization rate for freeze-dried powder and tea powder observed a more pronounced decline than other ingredients in 2024 and the utilization rate for tea powder remained relatively low in 2025, primarily attributable to (i) our adjustments to production and sales plans for the related finished products, which influenced raw material demand and led to fluctuations in output at this base, and (ii) cost-efficiency considerations, as these production lines require a minimum batch size once operations commence, resulting in bulk manufacturing during certain years and inventory carried forward for subsequent periods.

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Our Production Process

The production process of our products mainly includes raw material measurement, semi-product preparation, filling, packaging and product warehousing. The following diagram illustrates the typical production process of our products:



Our Systems and Equipment

Our production facilities are equipped with advanced production equipment, including intelligent weighing management systems, equipment management system, and multiple sets of emulsifying pots, liquid washing and aqueous solution devices, which have realized automation of most production procedures. We have achieved full-process automation for certain product categories.

Our production management is supported by the SAP system and MES, which support operational and cost management throughout the production process. We have also instituted a digitalized supply chain system that enables end-to-end data-driven supply chain planning from demand forecasting and production to warehousing and logistics. In addition, our self-developed ECS analyzes real-time sales data to project replenishment needs and inform production and procurement planning. With CMMS support for real-time inventory monitoring and timely production adjustments, we can respond promptly to market trends and demand changes. See “—Our Digitalized Operations.” In 2023, we were awarded the Triple-A Level Integration of Informationization and Industrialization Management System Certificate.

PRODUCT SAFETY AND QUALITY CONTROL

We have established a quality-control system, including the “1+6” comprehensive quality-control management system and the “Six Senses and Six Properties” product-testing initiative. According to Frost & Sullivan, we received the “Shanghai Quality Gold Award.” We also actively contribute to the promotion of quality control in our industry. For example, we participated in the formulation of 159 national, industry, association and corporate standards on cosmetics products as of the Latest Practicable Date, including Evaluation Guide for Digital Transformation of Quality and Safety Control in Cosmetics Manufacturing Enterprises, Emollient Water and Oriental Beauty Valley Cosmetic Inner Packaging Materials Acceptance Management Specifications.

Quality Control Standard

We have also established an integrated “1+6” comprehensive quality control management system based on the Cosmetic Production Quality Management Standards promulgated by the State Food and Drug Administration. The “1” in our “1+6” comprehensive quality control management system stands for compliance with applicable rules and regulations on production quality management, whereas “6” outlines the requirements of six major standards, including ISO9001, ISO22716, GMPC (ASEAN/US standards), Measurement Management System, HACCP and BRC. Comprehensively covering product design and development, production management, storage and transportation and customer feedback, our “1+6” comprehensive quality control management system ensures thorough quality management at all critical stages from product development, production to consumer experience.

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We have also established a rigorous “Six Senses and Six Properties” product testing initiative, and established a corresponding R&D platform to test the quality of our products. Specifically, the “Six Senses” standard resonates with six aspects of consumer sensory experience (including vision, hearing, smell, touch, taste and comprehensive perception), while the “Six Properties” standard encapsulates the key quality requirements for our products shall meet, including compliance, safety, mildness, efficacy, stability and compatibility.

Quality Control Measures

Our quality control measures comprehensively cover product design and development, production, storage, transportation, and consumer feedback handling to ensure consistent high quality of products.

Product design and development. Each product undergoes evaluation covering raw-material selection, efficacy testing, safety checks, stability testing and sensory evaluation throughout development, from market research and formula design to packaging design.

Production management. We follow the “1+6” quality-control system throughout production. From raw-material procurement to finished-product warehousing, production steps are monitored for quality and safety. We also monitor facility hygiene, personnel requirements, water and air systems and other environmental factors.

Storage and transportation. The “1+6” system covers storage and logistics processes. Warehousing conditions are managed to maintain appropriate storage environments, and logistics arrangements aim to preserve product condition during transportation.

Consumer feedback handling. We maintain customer-service channels, including hotlines and online services, to handle inquiries and complaints. Upon receiving a complaint, we conduct root-cause analysis and follow standardized procedures for issues such as delivery discrepancies or product defects. Cases involving quality or safety concerns may be escalated to a review committee. Corrective and preventive measures are implemented based on investigation outcomes. Our customer service team also keeps record of feedback and complaints to appropriately respond to customer concerns and inquiries. During the Track Record Period, our average online complaint rate, calculated based on the number of complaints received by the total number of customers, was approximately 1.89%, which was lower than the industry average, according to Frost & Sullivan. The complaints we received primarily concerned logistics issues, promotion-related matters, mismatched items for delivery and product quality issues. During the Track Record Period and up to the Latest Practicable Date, we had not received complaints from consumers that may have material and adverse effects on our operations and business reputation.

Product return/recall/exchange. Our product return policies vary by sales channel. For products sold through our online directly-operated stores, we generally accept product returns or exchanges within seven days of product receipt, regardless of whether there is any product defect. Consumers can initiate a return or exchange request through the e-commerce platform within this timeframe. Upon approval, return or exchange logistics are arranged by the platform or the consumer, and refunds are provided in accordance with platform policies. For products sold through offline channels, we generally do not accept returns or refunds, except for exchanges due to reasons such as damage during transportation. Products returned without defect are required to be in good condition and suitable for resale. Upon receiving returns, we conduct a thorough product inspection, especially for defective items, to assess their condition, packaging and expiration dates to assess their eligibility for resale. During the Track Record Period, we recorded approximately 3.4 million, 5.0 million and 6.2 million recalled/returned/exchanged products, representing rates of approximately 1.8%, 2.5% and 4.3%, respectively. According to Frost & Sullivan, these rates were below the industry average. As advised by Frost & Sullivan, our product return, recall and exchange policies are in line with market practice in China. For products sold to retailers and distributors, retailers and distributors are generally responsible for managing returns and exchanges from end-customers. For return arrangements between us and retailers and distributors, respectively, see “— Our Sales Network.”

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OUR SUPPLIERS

During the Track Record Period, our suppliers mainly included providers of marketing, 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 “Risk Factors — Risks Relating to Our Business and Industry — We rely on a limited number of suppliers, which may subject us to supplier concentration risks.”

The following table sets out the details of our five largest suppliers by purchase cost for 2023:

Year ended December 31, 2023								
No.	Suppliers	Principal business	Products/ services provided to us	Purchase cost	% of our total purchase cost	Year of commencement of business relationship with us	Credit terms granted by such supplier	Registered Capital
(RMB'000)								
1	Supplier A	The supplier is a listed company that provides e-commerce-related services	E-commerce and online services	365,823	11.1%	2019	Payment in advance	N/A
2	Supplier B	The supplier engages in computer technology development, promotion and consulting services	Short-video and social commerce platform	201,167	6.1%	2021	Payment in advance	RMB10,000 million
3	Supplier C	The supplier is a listed company that provides logistics and warehousing services	Logistics and warehousing services	178,537	5.4%	2020	Monthly payment within 30 days after receiving invoices	RMB503,942.1659 million
4	Supplier D	The supplier engages in professional intermediary activities and labor outsourcing services	Labor outsourcing services	109,564	3.4%	2019	28 days	RMB4,000 million
5	Company F	The company is a listed company that engages in e-commerce-related sales and services	Online retailer platform	99,346	3.0%	2017	Payment in advance	N/A
Total				954,437	29.0%			

The following table sets out the details of our five largest suppliers by purchase cost for 2024:

Year ended December 31, 2024								
No.	Suppliers	Principal business	Products/ services provided to us	Purchase cost	% of our total purchase cost	Year of commencement of business relationship with us	Credit terms granted by such supplier	Registered Capital
(RMB'000)								
1	Supplier B	The supplier engages in computer technology development, promotion and consulting services	Short-video and social commerce platform	428,961	11.7%	2021	Payment in advance	RMB10,000 million

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Year ended December 31, 2024								
No.	Suppliers	Principal business	Products/ services provided to us	Purchase cost (RMB'000)	% of our total purchase cost	Year of commencement of business relationship with us	Credit terms granted by such supplier	Registered Capital
2	Supplier A	The supplier is a listed company that provides e-commerce-related services	E-commerce and online services	281,725	7.7%	2019	Payment in advance	N/A
3	Supplier C	The supplier is a listed company that provides logistics and warehousing services	Logistics and warehousing services	161,934	4.4%	2020	Monthly payment within 30 days after receiving invoices	RMB503,942.1659 million
4	Supplier E	The supplier engages in production and sales of packaging materials and products	Packaging materials and equipment	95,817	2.7%	2019	60 days	RMB6,000 million
5	Company F	The company is a listed company that engages in e-commerce-related sales and services	Online retailer platform	95,424	2.6%	2017	Payment in advance	N/A
Total				1,063,861	29.1%			

The following table sets out the details of our five largest suppliers by purchase cost for 2025:

Year ended December 31, 2025								
No.	Suppliers	Principle business	Products/ services provided to us	Purchase cost (RMB'000)	% of our total purchase cost	Year of commencement of business relationship with us	Credit term granted by such supplier	Registered Capital
1	Supplier B	The supplier engages in computer technology development, promotion and consulting services	Short-video and social commerce platform	609,436	14.8%	2021	Payment in advance	RMB10,000 million
2	Supplier A	The supplier is a listed company that provides e-commerce-related services	E-commerce and online services	306,438	7.4%	2019	Payment in advance	N/A
3	Supplier E	The supplier engages in production and sales of packaging materials and products	Packaging materials and equipment	141,198	3.4%	2019	60 days	RMB6,000 million
4	Supplier G	This supplier provides logistics and supply chain services	Logistics and warehousing services	100,210	2.4%	2024	Payment within 30 days after receiving invoices	RMB72,333.3334 million
5	Company F	The company is a listed company that engages in e-commerce-related sales and services	Online retailer platform	90,591	2.2%	2017	Payment in advance	N/A
Total				1,247,874	30.2%			

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

- **Duration:** Agreements generally have a term of two years, with some including automatic renewal clauses.
- **Service Type:** Agreements with our suppliers primarily include marketing services, packaging material and equipment, logistics and warehousing services, and labor outsourcing services.
- **Payment Terms:** Payments to suppliers are typically made based on pre-agreed credit terms typically within 60 days.
- **Quality Inspection:** Suppliers are usually required to conduct regular self-inspections in accordance with our quality control requirements, as well as relevant national standards.
- **Termination:** Either party may terminate the agreement under specified conditions such as material breach and delayed delivery, usually with advance notice.

All of our five largest suppliers in each year 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 owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year during the Track Record Period.

OUR CUSTOMERS

During the Track Record Period, our customers mainly consisted of distributors, retailers and individual customers. Revenue from our five largest customers in each year during the Track Record Period amounted to RMB850.0 million, RMB857.8 million and RMB881.0 million in 2023, 2024 and 2025, respectively, representing 19.1%, 18.5% and 16.6% of our total revenue for the same respective period. Revenue from our largest customer in each year during the Track Record Period accounted for 6.1%, 6.4% and 6.2% of our total revenue in 2023, 2024 and 2025, respectively. During the Track Record Period, we were not subject to any material customer concentration risk. For salient terms of our typical agreements with customers, see “— Our Sales Network.”

The following table sets out the details of our five largest customers by revenue for 2023:

Year ended December 31, 2023								
No.	Customers	Sales channel	Principal business	Products sold	Sales amount	% of total revenue of sales amount	Year of commencement of business relationship with us	Credit terms granted to such customer
(RMB'000)								
1. . . .	Customer A	Offline retailer	The customer engages in the retail sales of cosmetics and daily necessities	Cosmetics	270,587	6.1%	2017	Monthly payment within 60 days after receiving invoices
2. . . .	Customer B	Online retailer	The customer engages in e-commerce sales of cosmetics and other goods	Cosmetics	257,010	5.8%	2020	5 days after receiving invoices
3. . . .	Company F	Online retailer	The company engages in e-commerce-related sales and services	Cosmetics	233,114	5.3%	2017	7 days
4. . . .	Customer C	Distribution	The customer engages in the wholesale of cosmetics and daily necessities	Cosmetics	48,844	1.1%	2011	7 days/45 days/ Payment in advance

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Year ended December 31, 2023

No.	Customers	Sales channel	Principal business	Products sold	Sales amount	% of total revenue of sales amount	Year of commencement of business relationship with us	Credit terms granted to such customer
(RMB'000)								
5	Customer E	Distribution	The customer engages in the wholesale of cosmetics and daily necessities	Cosmetics	40,417	0.9%	2011	7 days/45 days/60 days
Total					849,971	19.1%		

The following table sets out the details of our five largest customers by revenue for 2024:

Year ended December 31, 2024

No.	Customers	Sales channel	Principal business	Products sold	Sales amount	% of total revenue of sales amount	Year of commencement of business relationship with us	Credit terms granted to such customer
(RMB'000)								
1	Customer A	Offline retail	The customer engages in the retail sales of cosmetics and daily necessities	Cosmetics	293,129	6.4%	2017	Monthly payment within 60 days after receiving invoices
2	Customer B	Online retailer	The customer engages in e-commerce sales of cosmetics and other goods	Cosmetics	230,985	5.0%	2020	5 days after receiving invoices
3	Company F	Online retailer	The company engages in e-commerce-related sales and services	Cosmetics	228,048	5.0%	2017	7 days
4	Customer F	Offline retailer	This customer engages in sales of daily necessities and cosmetics and other goods	Cosmetics	55,243	1.2%	2021	90 days
5	Customer G	Offline retailer	This customer engages in wholesale and retail sales of products	Cosmetics	50,404	0.9%	2018	45 days
Total					857,810	18.5%		

The following table sets out the details of our five largest customers by revenue for 2025:

Year ended December 31, 2025

No.	Customers	Sales Channel	Principle Business	Products sold	Sales amount	% of total revenue of sales amount	Year of commencement of business relationship with us	Credit term granted to such customer
(RMB'000)								
1 . . .	Customer A	Offline retail	The customer engages in the retail sales of cosmetics and daily necessities	Cosmetics	330,087	6.2%	2017	Monthly payment within 60 days after receiving invoices

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Year ended December 31, 2025

No.	Customers	Sales Channel	Principle Business	Products sold	Sales amount	% of total revenue of sales amount	Year of commencement of business relationship with us	Credit term granted to such customer
(RMB'000)								
2 . . .	Company F	Online retailer	The company engages in e-commerce-related sales and services	Cosmetics	235,478	4.4%	2017	7 days
3 . . .	Customer B	Online retailer	The customer engages in e-commerce sales of cosmetics and other goods	Cosmetics	220,450	4.2%	2020	5 days after receiving invoices
4 . . .	Customer G	Offline retailer	This customer engages in wholesale and retail sales of products	Cosmetics	59,814	1.1%	2018	45 days
5 . . .	Customer H	Distribution	This customer engages in sales of daily consumer goods	Cosmetics	35,123	0.7%	2013	Payment in advance
Total					880,952	16.6%		

All of our five largest customers in each year during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, one of our Directors, their associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each year during the Track Record Period.

Third-Party Payment

During the Track Record Period, there were occasional instances where a handful of customers (“Relevant Customers”) settled payments through third parties designated by them (“Third-Party Payors”) who were not parties to the corresponding sales and purchase agreements (“Third-Party Payment Arrangements”). The Third-Party Payors were primarily legal representatives of the Relevant Customers or their relatives. To our knowledge, Relevant Customers used Third-Party Payors mainly because they operated on a small scale or as sole proprietorships and found third-party payment more convenient. The total transaction amounts settled through Third-Party Payment Arrangements accounted for an insignificant percent of less than 0.1% of our total revenue in 2023, 2024 and 2025, respectively. As advised by our PRC Legal Advisor, we are of the view that our Third-Party Payment Arrangements did not contravene any mandatory provisions of applicable PRC laws or regulations, and the risk of our Group being obligated to return funds to Relevant Customers or their designated Third-Party Payors under these arrangements is low, on the grounds that (i) all Relevant Customers and their designated Third-Party Payors have provided us with written agreements agreeing the relevant Third-Party Payors to make payments on behalf of the Relevant Customers; (ii) the total transaction amounts involved were insignificant relative to our overall operations; (iii) all payments were made in respect of bona fide transactions and valid contractual relationships, with terms in line with those offered to other customers; and (iv) we had not been subject to any investigations, inquiries, penalties, surcharges, refund requests, disputes, or material claims relating to Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date. As of September 30, 2025, we had ceased all third-party payment transactions and strengthened internal control measures to prevent recurrence of such arrangements.

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OVERLAPPING OF MAJOR SUPPLIERS AND CUSTOMERS

Company F was both one of our major suppliers and major customers during the Track Record Period. Company F mainly engages in the operation of a major third-party e-commerce platform, which also provides related services such as marketing and consultation services. Thus, it is not uncommon for us to purchase services from Company F while also engaging it as our customer.

One of our five largest customers was also our supplier during the Track Record Period. This customer-supplier primarily engages in e-commerce sales, with its subsidiaries offering related services including marketing services. Thus, it is not uncommon for us to also purchase services from this customer-supplier.

Supplier C was also our customer during the Track Record Period. Supplier C is a warehousing and logistics provider in China and was also our customer as certain subsidiaries purchased our products during the Track Record Period, which is not uncommon in the industry, according to Frost and Sullivan.

In 2023, 2024, and 2025, our purchases from the three major overlapping customer-suppliers amounted to RMB314.2 million, RMB301.6 million and RMB203.0 million, respectively, representing 9.5%, 8.2% and 4.9% of our total purchases for the same respective periods. Our revenue attributable to these customer-suppliers during the same periods amounted to RMB490.9 million, RMB460.2 million and RMB474.2 million, respectively, accounting for 11.1%, 10% and 8.9% of our total revenue for the same respective periods. The gross profit from these overlapping customer-suppliers in 2023, 2024 and 2025, was RMB368.5 million, RMB338.4 million and RMB360.3 million, respectively, with corresponding gross profit margins of 75.1%, 73.5% and 76.0%, respectively.

Terms for sales to and purchases from these overlapping customer-suppliers were negotiated individually, and the transactions were not inter-conditional. During the Track Record Period, there was no bundled or back-to-back trading arrangement. For each overlapping customer-supplier, the key terms of our sales to them and our purchases from them were generally consistent with those for other customers and 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.

INTELLECTUAL PROPERTY

We consider intellectual property important to our operations and have implemented policies to protect our intellectual property rights across R&D, production, commercialization and marketing. We rely on a combination of patent, trademark, copyright and other intellectual property protections laws in the jurisdictions in which we operate, contractual arrangements and confidentiality procedures to establish and protect our proprietary technologies, know-how and other intellectual property rights.

Given that our products are available in these markets, including Singapore, Malaysia, the Philippines, and Hong Kong, and we view Australia and Indonesia as key markets where we aim to lay the groundwork for future potential expansion, we have developed our patent portfolio to safeguard relevant innovations and ensure regulatory compliance. As of the Latest Practicable Date, we maintained a patent portfolio of 256 patents and had 150 pending patent applications in China and other jurisdictions, including Hong Kong, South Korea, France, Japan, Indonesia, and certain European countries. We also obtained 4,927 trademarks, 322 copyrights registered in Chinese Mainland as of the Latest Practicable Date. See “Appendix IV — Statutory and General Information — 2. Intellectual Property Rights of our Group.”

We have internal control policies to manage intellectual property, supported by confidentiality procedures, a dedicated legal team, and a task force that oversees policy implementation. For risks relating to intellectual properties, see “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to adequately protect our intellectual property rights, and may be subject to

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intellectual property infringement claims, which could be expensive and may materially and adversely affect our business, financial condition and results of operations.” During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material incidents of our products being counterfeited. We have measures in place for anti-counterfeiting and rights protection, supported by a dedicated team. Specifically, we employ technological measures to prevent counterfeiting. Each product package carries a unique identification code, enabling both our consumers and us to scan and trace essential product information, including production batch number and expiration date. In addition, by comparing and verifying packaging design, bottle shape, material, and contents, we can identify counterfeit products and support our anti-counterfeiting and rights-protection efforts.

DATA PRIVACY AND SECURITY

We collect certain consumer data during the ordinary course of business, mainly including phone numbers, account names, delivery addresses and purchase records. This information primarily aids in membership identification, matching self-operated/third-party operated counters nearby with the consumers, product delivery, payment settlement and personalized product recommendations.

To ensure proper and sufficient protection for data privacy and security, we have established stringent policies and procedures. We have formed a cybersecurity and data security working group consisting of management members to lead our overall data privacy and security management. Under its leadership, our data department is responsible for overseeing data-privacy and security management, along with related internal tasks.

We have implemented policies and procedures to ensure our practices comply with the applicable data protection laws and regulations of the PRC. Our data policies and procedures mainly include:

Data collection. With the consumer’s prior consent or where necessary for the performance of contracts, we collect consumer’s personal information strictly to the extent required for our business operations in sales, delivery, customer services and loyalty membership programs. Such data may include contact information, platform IDs, pre- and post-sales service communications, transaction and order records, payment details, delivery addresses, approximate location information (used solely to recommend nearby offline counters) and membership-related information. We collect and process this data on a necessity basis to support and enhance consumers’ sales, delivery, service and loyalty membership experience.

We collect consumer data according to applicable regulation requirements. Through our privacy policy, we clearly inform the consumers of the purpose, method, and scope of the information collection and use, and the channels for exercising their rights such as correction of information and deletion of information, among other things, when collecting and using consumer personal information.

Data management. We have implemented data classification, desensitization and storage policies and procedures to ensure proper management of collected data. We only keep consumers’ personal data for the minimum period necessary to achieve the purposes for which it was processed or during the retention periods mandated by applicable laws. We retain the personal information of loyalty program members for as long as they maintain their membership. If a member chooses to de-register their account, we will delete or anonymize their personal information accordingly. User accounts with the Weixin Mini Program we operate will be canceled upon consumer request. Upon receipt of the canceling requests, we will stop the collection and use of the personal data, and delete the corresponding user account and relevant personal data or anonymize such data.

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Data security. We have set up principles and detailed provisions to ensure data security. To prevent and address cyber-attacks, we employ multiple software and hardware protection measures including anti-virus tools, network access control, intrusion detection systems and web application firewalls across our servers, network equipment and office terminals. When engaging third-party service providers such as delivery partners or payment platforms, we implement measures to manage data-security risks and safeguard consumer data, including entering into data processing agreements with the vendors that process personal information on our behalf. These agreements clearly define their data security obligations and responsibilities, including our right to supervise and audit their data processing activities.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any litigation, arbitration, administrative penalties arising from any cybersecurity, data compliance and privacy protection related incidents, had not experienced any material cybersecurity and data security incidents. As advised by our PRC legal advisor, during the Track Record Period and up to the Latest Practicable Date, we had complied with the currently effective PRC laws and regulations on data security, personal information protection and cybersecurity in material respects related to our business operations.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We consider ESG matters an integral part of our operations and have established policies to support sustainable development. We have been voluntarily publishing corporate social responsibility or sustainability reports every year since 2013. We have implemented comprehensive ESG strategies in product and packaging development, production safety, resource conservation, waste and pollution management and employee protection.

ESG Governance

We have developed an ESG governance framework led by our Board of Directors and supported by the Sustainability Committee and the ESG Management Center. Our Board of Directors assumes full responsibility for our ESG governance and leads the formulation of our ESG strategies. Our Sustainability Committee, comprised of our Chairman and other selected team leaders, collaboratively works with our ESG Management Center to assist the Board of Directors in overseeing the ESG practices, policies, procedures, strategies and measures, and regularly reviews and monitors the development and implementation of our ESG goals. In addition, the business units, functional departments, and special groups under the ESG Management Center are responsible for overseeing the execution of ESG-related work and the implementation of ESG strategies and specific measures.

Environmental Protection

We are committed to environmental protection and have established strategic goals in facilitating sustainable product development and packaging, responsible production, efficient resource utilization, climate protection and biodiversity preservation. To this end, we have set detailed measures in resource management, waste management, packaging management, climate protection and biodiversity preservation. During the Track Record Period and up to the Latest Practicable Date, we had complied with environmental laws and regulations applicable to our operations in all material respects. Our Directors believe that the annual cost of compliance with the applicable environmental laws and regulations was not material and is not expected to be material going forward, which will not negatively affect our results of operations.

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Resource management

Our resource consumption consists of electricity, water, steam, diesel and gasoline to support our business operations. We have established energy and resource management procedures that set out the principles for resource management. Our environmental protection, health, and safety department (the “EHS department”) is responsible for managing and analyzing electricity and water consumption as well as identifying new resource conservation technologies.

Energy management. In 2023, 2024 and 2025, we consumed approximately 10,577,266 kWh, 11,732,000 kWh and 17,180,613 kWh of electricity, respectively in our production bases in Shanghai and Linzhi. We apply cold-processing methods during production to reduce the use of heating equipment and energy consumption. To further capture clean development opportunities, our first phase of the 3.1 MW solar system officially commenced construction at our production site in December 2023.

Water management. In 2023, 2024 and 2025, we consumed approximately 173,594 tons, 196,000 tons and 270,615 tons of water, respectively in our production bases in Shanghai and Linzhi. We have implemented measures such as concentrated-water recovery systems, Clean-in-Place systems and non-rinse bottles to reduce water consumption.⁽¹⁾

Waste management

We have implemented waste treatment procedures in our production facilities. For example, we have established comprehensive environmental management and waste management procedures to comply with regulatory requirements on waste discharges while reducing environmental pollution and protecting employee health and safety. Our EHS department is responsible for overseeing all matters related to waste management.

Management of Gaseous Waste Emissions. Our major gaseous waste emissions included NMHC, SO₂, NO_x, particulates from the boiler tail gas and particulates generated during production. We installed exhaust-gas collection and purification devices and conduct routine effectiveness checks. In addition, we implemented Procedures for the Control of Ozone-Depleting Substances and identified the emission sources and categories of ozone-depleting chemicals (“ODCs”) relating to our business. Our ODC emissions include CFC-22 (R-22) emissions, mainly involved in air-conditioning and refrigeration equipment in administrative areas.

Management of Wastewater. We have established wastewater processing systems to make sure that the processed water meets the governmental emission requirements. We generate wastewater during the production process. In 2023, 2024 and 2025, we disposed of approximately 95,140 m³, 107,500 m³ and 149,303 m³ of wastewater, respectively.

Management of Non-hazardous and Hazardous Wastes. We generate solid waste during our production processes. Some of them are potentially hazardous. The major non-hazardous wastes related to production are sludge, expired cosmetic products and packaging wastes. The major hazardous wastes are solvents, inks, diesel fuel, motor oil, laboratory waste. We have established a standardized waste management system, covering the packing, storing, recording and disposal requirements for solid wastes. All hazardous and non-hazardous wastes were centrally and properly stored in a dedicated storage area and collected and processed by qualified contractors. In 2023, 2024 and 2025, we generated approximately 3.3 tons, 4.0 tons and 5.6 tons of hazardous wastes, respectively.

Note:

- (1) The overall increase in energy and water consumption aligned with rising production output, particularly in 2025 following the commencement of operations at the Shanghai Fermentation Production Base and Shanghai Cosmetics Production Base (third phase).

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Our measures for the handling of hazardous wastes are defined by strict internal protocols and compliance with national standards:

- *Handling.* We are responsible for the pre-transport handling of hazardous waste. All packages must be clearly labeled, and the waste must not contain any prohibited substances such as explosives or radioactive materials.
- *Storage.* Hazardous waste is stored on-site in compliance with safety protocols to prevent leakage and environmental contamination. We provide all necessary storage containers and ensure secure containment.
- *Disposal.* All hazardous waste disposal is outsourced to the licensed operator. The waste, including waste ink and cleaning waste liquid, laboratory waste, waste resin, and waste activated carbon, is disposed of exclusively through incineration. The disposal partner arranges transportation using certified third-party carriers.

The following table sets forth our major wastes data for the periods indicated in our production bases in Shanghai and Linzhi⁽¹⁾:

	Year ended December 31,		
	2023	2024	2025
Wastewater (m ³)	95,140	107,500	149,303
Hazardous wastes (Tons)	3.3	4.0	5.6
Non-hazardous wastes			
Sludge (Tons)	160	213	229.2
Discarded cosmetic products (Tons)	184	285	383.1
Packing wastes (Tons)	213	319	463.8
Other non-hazardous wastes (Tons)	—	6.53 ⁽²⁾	6.69 ⁽³⁾

Notes:

- (1) The overall increase in waste water, hazardous wastes and non-hazardous waste aligned with rising production output, particularly in 2025 following the commencement of operations at the Shanghai Fermentation Production Base and Shanghai Cosmetics Production Base (third phase).
- (2) Includes industrial waste from warehouse relocation.
- (3) Includes waste reverse osmosis (RO) membranes, waste activated carbon, and waste ion-exchange resins.

The following table sets forth the fluctuations in our ESG data and the reasons for key changes during the Track Record Period:

	Year ended December 31,			Commentary
	2023	2024	2025	
Wastewater (m³)	95,140	107,500	149,303	The amount increased correspondingly with the increasing production level, particularly in 2025 following the commencement of operations at the Shanghai Fermentation Production Base and Shanghai Cosmetics Production Base (third phase).
Hazardous wastes (Tons)	3.3	4	5.6	The amount increased correspondingly with the increasing production level.

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	Year ended December 31,			Commentary
	2023	2024	2025	
Non-hazardous wastes				
Sludge (Tons)	160	213	229.2	Increased correspondingly with the increasing production level.
Discarded cosmetic products (Tons)	184	285	383.1	Increased correspondingly with the increasing production level particularly in 2025 following the commencement of operations at the Shanghai Fermentation Production Base and Shanghai Cosmetics Production Base (third phase).
Packing wastes (Tons) .	213	319	463.8	Increased correspondingly with the increasing production level particularly in 2025 following the commencement of operations at the Shanghai Fermentation Production Base and Shanghai Cosmetics Production Base (third phase).
Other non-hazardous wastes (Tons)		6.53	6.69	2024: Includes industrial waste from warehouse relocation. 2025: Includes waste reverse osmosis (RO) membranes, waste activated carbon, and waste ion-exchange resins.

Packaging Management

We prioritize green packaging in our product development and this commitment is formalized through Sustainable Development Goal 2 in the CHANDO Sustainability Strategy to Facilitate Green Packaging and Circular Economy. To execute this vision, we formed a dedicated Sustainable Packaging Special Group, responsible for implementing simplified and refill packaging systems, collaborating with the R&D center on sustainable packaging projects, and advancing sustainable solutions with suppliers.

In 2025, we continuously advanced initiatives in lightweight packaging to reduce material use. The R&D team optimized both formulas and packaging structures to reduce overall weight, thereby lowering resource consumption and transportation costs. In addition, the plastic reduction strategy involved minimizing non-essential materials, streamlining packaging designs, and standardizing bottle shapes and production processes for small and medium-sized samples. In 2025, we completed over 90 projects related to reducing plastics and emissions. These efforts also reflect our commitment to innovative, resource-efficient packaging solutions aligned with its broader mission for sustainability.

In material selection, we prioritize certified, recyclable, and lower-impact packaging options. Since the launch of its infant and children’s skincare brand — imine — in 2023, the brand’s product packaging paper boxes have been produced using FSC forest-certified paper as the designated raw material. In 2024, the R&D team successfully transitioned 19 product SKUs to use environmentally friendly paper, reinforcing our use of sustainable materials across our product portfolio.

To minimize energy use in manufacturing, we have employed innovative approaches, notably the one-time injection molding technology for CHANDO’s Pure Nutrient Lotion. This technology saves eight grams of paint per bottle, reduces energy consumption by approximately 0.1 kWh per bottle, and cuts carbon emissions by over 90% compared to traditional methods, significantly enhancing recyclability.

To promote circular economy, we also strengthen our consumer engagement through the “CHANDO Empty Bottle Recycling Program.” Returned bottles are sorted and processed for reuse or recycling.

We aim to expand empty-bottle recycling coverage to major retail terminals by 2030.

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Climate Change

In view of climate-related risks, we evaluate potential impacts across short-, medium- and long-term time horizons. We diligently track and assess climate-related risks and opportunities across short-term, medium-term, and long-term perspectives under the guidance of our Board, integrating these considerations into our business activities and strategic framework. For example, we established GHG-emission management procedures outlining estimation methods and monitoring approaches. In addition, we have initiated carbon-management work, including operational GHG estimation and qualitative climate-risk analysis.

The following table sets forth GHG emissions data of our Group⁽¹⁾:

	Unit	Year ended December 31,	
		2023	2024
Scope I GHG emissions⁽²⁾	tCO ₂ e	1,687.98	1,266.41
Scope II GHG emissions⁽³⁾	tCO ₂ e	7,492.23	7,525.03
Scope III GHG emissions⁽⁴⁾	tCO ₂ e	134,561.78	135,729.19
Total	tCO ₂ e	143,741.99	144,520.63

Notes:

- (1) In 2023, we started measuring GHG emissions at the Group level with the data collection scope including production bases in Shanghai and Linzhi, office space, and warehouses. In 2024, we expanded the organizational boundary to include the newly built Live-Streaming Base in Shanghai (直播基地). The GHG emissions data collection process for 2025 will be conducted towards the end of the year. As of the Latest Practicable Date, our annual accounts for GHG emissions data for the year ended December 31, 2025 are still in progress.
- (2) Scope I covers emissions from stationery combustion, mobile combustion and fugitive emissions. Emission factors were derived from database such as the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Assessment Reports, and Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Other Industrial Enterprises (Trial) (《工業其他行業企業溫室氣體排放覈算方法與報告指南(試行)》).
- (3) Scope II covers emissions from purchased electricity and steam. Calculations were made by referring to emission factors published by the Ministry of Ecology and Environment, such as those in the Notice on Strengthening the Management of GHG Emission Reports from Enterprises in the Power Generation Sector for the Years 2023-2025 (《關於做好2023-2025年發電行業企業溫室氣體排放報告管理有關工作的通知》).
- (4) We selected some of the Scope III categories for accounting and disclosure based on industry characteristics and data availability.

We have established the following measurable targets with a timeframe aligned to 2030:

- **GHG Emissions Reduction:** Reduce Scope 1 and 2 emissions by 42% from a 2023 baseline.
- **Renewable Energy:** Achieve 50% renewable-energy usage.
- **Green Packaging:** Ensure 75% green packaging adoption.

Social Responsibility

We integrate social-responsibility initiatives into our operations and community programs.

Occupational Health and Safety

We are subject to various safety laws and regulations in the jurisdictions in which we operate. We provide protective equipment and conduct facility inspections as part of our safety-management procedures. During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws and regulations in relation to occupational health and work safety in all material respects and had not experienced any significant incidents or accidents in relation to workers' safety.

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Production Safety Management Procedures. We have implemented production-safety measures that are executed and supervised by our production safety committee. Our safety management procedures cover key areas such as safety training, supervision and inspection. We have been rated as an Enterprise for Work Safety Standardization Level 2 by the Shanghai Emergency Management Bureau in 2022.

Emergency Management Procedures. We have established an emergency management procedure carried out by our emergency command office and emergency response team. In the event of an accident, natural disaster or emergency, our emergency command office coordinates response and relief efforts in accordance with established procedures.

Health and Safety Control Measures. We have adopted measures to support employee health and workplace safety, including providing protective equipment and regularly inspecting production facilities. We also provide targeted training to key persons in charge of relevant departments to ensure that they are equipped with the safety knowledge and management skills appropriate to the production and business activities.

Talent Cultivation and Development

We aim to maintain compliant recruitment, employment and termination practices. We have taken measures to prohibit discrimination, violence and harassment in the workplace, such as opening compliance channels to collect employees’ opinions and suggestions.

Employee Welfare and Benefits. We have established welfare and benefit programs, including commercial insurance, meal and transport allowances, health and leisure allowances, work-anniversary benefits, newborn benefits and holiday benefits.

Trainings and Career Development. We established the Camphor Tree Talent Development Plan (香樟樹人才培養計劃) to provide employees with appropriate resources at different development stages. Our training plans and courses are updated periodically, covering general office and management skills, as well as specialized knowledge in supply chain, product management, sales, e-commerce and R&D for relevant individuals. We also established the CHANDO Academy, where trainings, from business skills and workplace etiquette to professional knowledge in beauty and cosmetics, have been provided for the middle-to-senior management leaders and specialists.

Diversity, Equality and Inclusion. We pay close attention to diversity, equality and inclusion in the workplace. We have carried out programs supporting female employees, including health seminars, training sessions and educational talks. As of December 31, 2025, our percentage of female employees was over 70%.

Supplier Selection

Improving green and low-carbon supply chains is one of our sustainable-development goals. We evaluate suppliers’ ESG performance across screening, admission, on-site evaluation, performance assessment and strategic positioning.

We consider suppliers’ environmental and social risks and conduct ESG assessments before entering cooperation.

ESG Assessment Dimensions for Suppliers

Assessment Contents

Supplier questionnaire	The questionnaire covers suppliers’ environmental governance, corporate social-responsibility practices and quality-management information to understand their basic profile.
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ESG Assessment Dimensions for Suppliers	Assessment Contents
Supplier capability upgrade .	Set ESG related indicators such as quality management capability and corporate social responsibility in reference items for supplier upgrade evaluations, as one of the screening criteria.
Supplier pre-review	Suppliers’ qualifications — such as fire-safety, environmental-protection and hazardous-chemical licenses — are treated as mandatory requirements. We also conduct audits of operations and tax status to assess risks before cooperation.
Supplier factory inspection .	Factory inspections include audit items relating to social responsibility and corporate governance, such as prohibitions on child labor, protections for pregnant employees, occupational-health examinations and training systems.
Supplier performance evaluation	Monthly and annual performance assessments are conducted to support continuous improvement by suppliers.
Annual supplier performance evaluation for strategic cooperative suppliers	We conduct annual assessments covering company culture, social responsibility, R&D investment, technological capabilities and improvements for strategic cooperative suppliers.

Philanthropy and Community Welfare

We dedicate ourselves to the protection and conservation of local communities, including but not limited to natural resource, culture and living species that are native to the Himalayan area, and we have consistently delivered community welfare programs that provide economic support for the local residents.

Since 2016, we have spearheaded the CHANDO Planting-Grass in the Himalayas Public Welfare Project (自然堂種草喜馬拉雅公益環保項目), which focuses on ecological protection and rural-development support. In 2021, the project was selected by the United Nations as one of the *100+ Biodiversity-Positive Practices and Actions*. By the end of 2024, we had donated RMB26 million through the project and facilitated the planting of 6.66 million square meters of green wheatgrass in Shigatse. As of September 2025, the project has evolved into the CHANDO Sustainable Himalayan Biodiversity Conservation Project (自然堂可持續發展喜馬拉雅生物多樣性保護項目), with an increased focus on public-awareness initiatives and biodiversity-related activities.

We also support women and girls through our collaboration with the China Children and Teenagers’ Fund on the Spring Bud Education Support Action. This project focuses on providing educational opportunities for female students through financial support and varieties of trainings and study tours. As of the Latest Practicable Date, we have supported a total of 860 female students from underprivileged backgrounds in the Himalayan region.

No Animal Testing

We do not conduct animal testing and apply alternative methods for product-safety assessment. We use alternative testing methods in accordance with our “Six Senses and Six Properties” product-testing framework. This approach integrates existing safety data, including toxicological test results provided by suppliers, published literature, and relevant safety information from authoritative databases. Where data gaps exist, we apply internationally recognized

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methodologies such as read-across, QSAR, and TTC to supplement safety evaluations. We have conducted various validated alternative tests, including assessments using reconstructed epidermis models for skin irritation, cytotoxicity and inflammatory marker evaluations, in vitro macrophage assays, chromosomal aberration tests, Ames tests, and chicken embryo tests. During the Track Record Period and up to the Latest Practicable Date, we did not conduct any animal tests.

SEASONALITY

Our results of operations are exposed to seasonal fluctuations in demand for our products. We typically experience higher product sales during shopping festivals and public holidays, such as Double Eleven, Double Twelve and 618 shopping festivals, as well as National Day holiday and the New Year holiday. As such, we typically experience sales peaks during the fourth quarter of each year. We believe this pattern is likely to continue in the foreseeable future.

COMPETITION

We operate in the cosmetics industry in China. Within this industry, the domestic cosmetics industry in China is fragmented, with the top five domestic cosmetics groups collectively holding a total market share of approximately 10.1% by retail sales in 2024, according to Frost & Sullivan. According to the same source, we were China’s third-largest domestic cosmetics group by retail sales in 2024.

We mainly compete with a number of domestic and international brands in the cosmetics industry in China. See “Risk Factors — Risks Relating to Our Business and Industry — 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.” See “Industry Overview” for a discussion of industry trends and competitive dynamics.

RISK MANAGEMENT AND INTERNAL CONTROL

We have maintained risk-management and internal-control policies across various aspects of our operations, including financial reporting, legal compliance, human resources, information system, quality control and product safety. We have also established an audit committee of experienced and qualified members to oversee and monitor the implementation of our risk management policies.

Financial Reporting Risk Management. We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies and financial statements preparation policies. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Legal Compliance Risk Management. We have adopted internal procedures to help ensure our business complies with applicable rules and regulations. We have streamlined the process of application, maintenance and renewal of our licenses, permits and approvals. We review the implementation of such policies on an ongoing basis. In addition, we strengthen our legal and compliance risk management by monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities, and accordingly updating our internal protocols and procedures in a timely manner.

Human Resources Risk Management. We provide regular and specialized training tailored to the needs of our employees across different departments. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding commercial practice, work ethics, fraud prevention mechanism, negligence and corruption. We also provide employees with resources for explanation on guidelines contained in the employee handbook. We also have in place an anti-corruption policy to safeguard against corruption within our Company.

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Information System Risk Management. Maintenance, storage and protection of consumer and business data are important for our operations. We have established relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data are avoided. We also regularly update our policies regarding our information system and engage in proactive threat monitoring and incident response.

Quality Control and Product Safety Internal Control. We have implemented quality control measures to preserve the quality of our products. Our quality control team is responsible for formulating our quality control policies to ensure compliance with all applicable PRC laws and regulations. Our quality control process generally comprises: (i) quality control on product design and development; (ii) quality control on production management; (iii) quality control on storage and transportation; and (iv) consumer feedback handling. See “— Product Safety and Quality Control.”

Internal Audit and Board Oversight. We have established an internal audit team to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system effectively identifies, manages and mitigates risks involved in our business operations. The internal audit team is responsible for supervising our internal audit functions.

EMPLOYEES

As of December 31, 2025, we had 2,245 full-time employees located in China and 1,247 outsourced personnel primarily engaging in sales activities. The following table sets forth a breakdown of our full-time employees by business function as of the same date:

Business Function	Number of Employees	Percent (%)
Sales and Marketing	1,156	51.5
Production and Procurement	611	27.2
Administration	196	8.7
Research and Development	163	7.3
IT and Operation	119	5.3
Total	<u>2,245</u>	<u>100.0</u>

We aim to attract, retain and motivate qualified employees. We utilize various recruitment channels, including professional recruitment websites, campus recruitment and referrals to attract talents. We seek to maintain a fair and equal working environment. We endeavor to motivate our employees by providing competitive salaries, comprehensive welfare packages, and merit-based incentive schemes based on their performance.

We provide training programs to support employee development. We offer a wide range of training programs covering essential skills for continuous employee development, 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.

We have established a labor union, which represents the employees with respect to labor disputes and other employee matters. We regularly communicate with our employee representatives and review and discuss the salary and collective agreement every two years. During the Track Record Period, we did not experience any labor disputes that had a material adverse effect on our operations.

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Business Outsourcing Services

We engaged outsourcing service companies to provide services and personnel for our operations during the Track Record Period. The salient terms of our standard agreements with outsourcing service companies during the Track Record Period are set out below:

- *Duration.* We typically enter into contracts with a term of approximately three years.
- *Payment Terms.* We pay outsourcing fees based on actual incurred amounts, with monthly reconciliation and payment.
- *Allocation of Obligations.* We pay service outsourcing fees, provide workplace facilities and utilities; the outsourcing service companies are responsible for exercising management functions over their service personnel and assigning supervisory staff. In addition, the outsourcing services companies shall establish employment relationships with service personnel, enter into contracts, pay labor remuneration, fulfill all statutory obligations as legal employer in accordance with applicable laws, and be responsible for the service personnel’s recruitment, termination of employment, wage benefits, social insurance contributions, performance appraisals, rewards, penalties and other management matters.
- *Service Scope.* Outsourcing service companies arrange service personnel to fulfill the designated business processes according to the service scope we define.
- *Employment Restriction.* If we directly or indirectly hire the outsourcing service company’s service personnel, we are required to pay compensation to the outsourcing service company based on a fixed ratio.
- *Amendment and Termination.* We may propose amendments or termination in writing with prior notice within a specified period.

Engaging third-party outsourcing service companies provides us with enhanced operational flexibility and cost efficiency by reducing the costs of personnel management and training, and streamlining non-core functions so we can focus on core business activities. The outsourcing service companies mainly assist us in conducting some of sales and production activities and the outsourced personnel employed by outsourcing service companies primarily undertake roles such as beauty advisors and production line workers in our production bases. Pursuant to the service outsourcing agreements, the outsourcing service companies shall arrange for and manage their own employees to provide services to us, comply with applicable labor laws and regulations, and independently assume all statutory employer responsibilities and obligations, including those arising from non-compliance with relevant laws, while the service companies assume statutory employer responsibilities under applicable laws. Any breach of the agreements by the outsourcing service companies resulting in losses to us shall entitle us to claim compensation for all such losses from the relevant companies. To facilitate the smooth progress of the cooperation and avoid any claims, disputes and conflicts, we require these outsourcing service companies to comply with applicable laws and regulations through contractual provisions.

Social Insurance and Housing Provident Funds

During the Track Record Period, we did not make full contributions to social insurance for several Taiwan and foreign employees due to their personal preferences. We began making full social-insurance contributions for these employees at the beginning of 2024. The accumulated shortfall of social insurance contributions amounted to approximately RMB0.35 million and RMB0.35 million during 2022 and 2023, respectively. If relevant social insurance authority is of the view that we failed to make full social insurance contributions for our employees in accordance with the relevant laws and regulations, it may order us to pay outstanding amounts within a prescribed time limit. 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.

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In addition, during the Track Record Period, we engaged a third-party human resource agency to pay social-insurance and housing-provident-fund contributions for certain employees who preferred contributions to be made in their place of residence. Such arrangement, although not uncommon in China, is not in strict compliance with relevant PRC laws and regulations. We had rectified and ceased such arrangements by the end of 2024.

Based on the interviews with, and the written confirmations obtained from, the relevant competent governmental authorities and considering (i) our rectification measures; (ii) confirmation from the third-party human-resource agency that it fully paid contributions during the Track Record Period; (iii) the absence of any material employee dispute or administrative penalties imposed by competent authorities regarding the abovementioned arrangements during the Track Record Period and up to the Latest Practicable Date; and (iv) we undertake to resolve any complaints or appeals from employees or requirements from relevant governmental authorities, regarding social insurance and housing provident funds, if any, in a timely and legal manner, our PRC Legal Advisor is of the view that the risk of administrative penalties is low. 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.

To monitor our compliance with relevant laws and regulations in respect of social insurance and housing provident fund contributions, we have taken the following internal control measures:

- Our human resources department reviews and monitors social-insurance and housing-provident-fund reporting and contributions monthly; and
- We consult our PRC legal advisor regularly on updates to relevant PRC laws and regulations and provide compliance-related training to employees.

INSURANCE

We maintain insurance coverage for our daily operations. Our principal insurance policies include employee welfare insurance and property insurance covering real estate, equipment, inventory and special-equipment liability. We also have supplementary insurance, such as employer’s liability insurance, comprehensive trademark insurance, and comprehensive patent insurance. In line with general market practices, we do not maintain certain policies, including product liability insurance, that are not available in the locations where we operate, or that are not generally required by laws. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be insufficient to protect us from the liabilities we may incur or cover all of our potential losses.”

We believe our insurance coverage is generally in line with market practice. We review our risk portfolio periodically and adjust our insurance plans as needed. During the Track Record Period and up to the Latest Practicable Date, we did not have any material insurance claims related to our business.

PROPERTIES

Our headquarters office is located in Shanghai, China. We own and lease properties in China. As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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Owned Properties

We own properties in China for business operations. As of the Latest Practicable Date, we owned land use rights to three parcels with a total site area of approximately 119,759.6 sq.m., and eight properties in China with an aggregate gross floor area of approximately 157,713.6 sq.m., which were primarily used for production facilities, office spaces and employee dormitories. As of the Latest Practicable Date, we had obtained the land use right certificates for all of our owned properties.

Leased Properties

As of the Latest Practicable Date, we leased 19 properties in China with an aggregate gross floor area of approximately 31,550.89 sq.m., which were primarily used for office spaces, production and warehouses. The leases generally have a term ranging from 23 months to ten years. As of the Latest Practicable Date, we had obtained valid title certificates from the relevant landlords of all the leased properties. We leased out certain areas within our production plants and warehouses and generated rental income during the Track Record Period. We also leased properties near our Shanghai cosmetics production base for finished-product production to facilitate the movement of raw materials and finished goods and to utilize space efficiently.

During the Track Record Period, the number of our lease agreements changed from time to time due to terminations, new executions and renewals. For lease agreements that had already expired, been terminated or were subsequently registered as of the Latest Practicable Date, as advised by our PRC Legal Advisors, given that the basis for competent authorities to order rectification has ceased to exist, it is unlikely that the historical non-registration of such lease agreements would be subject to retrospective fines by the competent authorities.

As of the Latest Practicable Date, the lease agreements for 18 leased buildings had not been registered, primarily because the relevant landlords did not complete the registration procedures. As the registration of a lease agreement usually requires the cooperation between the lessor and lessee and lessors are typically unwilling to undertake the administrative burden due to the low risk of penalty, we were not able to complete all the registration of lease agreements mentioned above. As advised by our PRC Legal Advisor, 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 if we are ordered to make corrections but fail to do so within the specified time limit. The maximum aggregate fine would be approximately RMB0.18 million, which our Directors believe would not have a material adverse impact on our business operations.

Our administrative department has made efforts to coordinate with property owners to complete lease registrations. We have adopted internal policies requiring employees to coordinate with lessors on lease registrations and to complete registrations where the lessors cooperate. During the Track Record Period and up to the Latest Practicable Date, in relation to the unregistered leased properties, we had not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. Having considered the foregoing, our Directors are of the view that the non-registrations of leases described above would not, individually or in the aggregate, materially affect our business and results of operations. For risks relating to our leased properties, see “Risk Factors — Risks Relating to Our Business and Industry — We may face risks related to our properties.”

LICENSES, PERMITS AND APPROVALS

We are required to obtain various licenses, permits, approvals and certificates for our business. During the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses and permits required for our business operations in the PRC. The successful renewal of our

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existing licenses, and permits will be subject to our fulfillment of relevant requirements. As of the Latest Practicable Date, our Directors were not aware of any non-compliance or any reason that would cause or lead to the non-renewal of our existing licenses, permits and approvals. Our PRC Legal Advisors have advised us that as of the Latest Practicable Date, there is no material legal impediment to renewing such licenses and permits as long as we comply with relevant legal and regulatory requirements.

The following table sets out the details of the material licenses and permits required for our business operations in China.

License/Permit	Entity Holding the License/Permit	Grant Date	Expiration Date
Cosmetics production license	CHANDO Limited	September 16, 2025,	June 8, 2026
Recordation certificate for operation of Class II medical devices		February 17, 2025	N/A
Registration form for record filing and registration of foreign trade operators		May 26, 2015	N/A
Certificate of Registration of Customs Declaration Unit.		June 5, 2015	Permanent
Recordation certificate for operation of Class II medical devices	Shanghai JALA Beauty Sales	February 17, 2025	N/A
Recordation certificate for operation of Class II medical devices	Shanghai Biorrier	May 3, 2025	N/A
Cosmetics production license	Linzhi Himalaya Third Pole Biotechnology	November 18, 2021	November 18, 2026
Food production license		October 16, 2024	October 15, 2029
Recordation certificate for operation of Class II medical devices	Airujichu (Shanghai)	December 9, 2025	N/A

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any legal, arbitral or administrative proceedings that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the Track Record Period and up to the Latest Practicable Date.

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AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we received awards and recognitions in respect of our products, technology and innovation, significant ones of which are set forth below:

Year	Name of award or recognition	Awarding Authority
2026	Special Contribution Award for 30 Years of China Aerospace Public Welfare (中國航天公益30年特殊貢獻獎)	China Aerospace Foundation 2026
2026	Most Anticipated Business Leader of the Year (年度最具期待商業領袖)	Tmall NEWty2026 Festival
2026	Consumers’ Choice Brand of the Year (年度消費者選擇品牌)	Tmall NEWty2026 Festival
2025	Shanghai Key Trademark Protection List (上海市重點商標保護名錄)	Shanghai Intellectual Property Bureau (上海市知識產權局)
2025	My Favorite Chinese Brand 2025 (點讚2025我喜愛的中國品牌)	Xinhua News Agency (新華社)
2025	“Digital Brand Innovation” Benchmark Case (“數字創新品牌”標桿案例)	Ministry of Industry and Information Technology (國家工信部)
2024	International Innovative Ingredient Award (國際創新原料獎)	2024 COSMETOPIADS & INPD (2024國際化妝品創新匹亞大賽)
2024	2023 Shanghai Exemplary Copyright Enterprise (2023年上海版權優勢單位)	Shanghai Copyright Bureau (上海市版權局)
2024	Shanghai Quality Benchmark Enterprise 2023-2024 (上海質量標桿企業 2023-2024)	Shanghai Municipal Commission of Economy and Informatization
2023	Shanghai 2nd “Gongfulianzhu” Project – Industrial Internet empowerment enterprises (上海市第二批“工賦鏈主”培育企業)	Shanghai Municipal Commission of Economy and Informatization