

GLOSSARY OF TECHNICAL TERMS

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

“anti-wrinkle”	the ability to reduce the appearance of fine lines and wrinkles
“ASP”	average selling price
“BI System”	business intelligence system
“ceramides”	a class of lipid molecules that maintain the barrier function of skin by helping to lock in moisture, prevent water loss and protect the skin from environmental stressors
“collagen”	structural protein found in the human body, particularly in the skin, tendons and bones, which provides strength, elasticity and support to various tissues
“makeup”	products that can emphasize or alter the appearance of the face or body, which mainly include eyeliner, lipstick, foundation and other makeup products
“cosmetics products”	products that are designed for external application to enhance, cleanse or alter the appearance and hygiene of the skin, hair, nails and teeth, which encompasses both aesthetic enhancement and daily personal care routines; such products include skincare, makeup, personal care and others
“cosmetics stores/CS”	retail outlets that primarily sell cosmetics products, typically offering a curated selection of cosmetics products that are tailored to specific consumer needs
“Daytime C, Nighttime A”	a skincare regimen principle that emphasizes the use of anti-oxidant ingredients, such as Vitamin C, in the morning to enhance anti-oxidant protection and brighten the skin, and retinol at night to promote cell turnover and improve anti-aging repair
“e-commerce platform(s)”	digital platform(s) that enable(s) online purchasing and selling of goods
“GFA”	gross floor area
“GHG”	greenhouse gas
“hero product”	standout products that best represent a company’s brand, value and unique selling proposition; in the context of our Company, refers to products that generate over RMB1.0 billion annual retail sales

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“inventory turnover rate”	the ratio to measure the efficiency of a company’s inventory management which equals to the costs of sales for the relevant period divided by the average of the net value of the opening and closing inventory (net of impairment loss) balance
“IT”	information technology
“KOC(s)”	key opinion customer(s)
“KOL(s)”	key opinion leader(s)
“ODM”	original design manufacturer, a manufacturing model under which a manufacturer produces products in accordance with the specifications, designs and requirements provided by its customer, and such products are usually sold under the customer’s own brand name
“OEM”	original equipment manufacturer, a manufacturing model under which a manufacturer is responsible for the production of products that are sold to customers, who may market and sell such products under their own brand names
“OMS”	order management system
“peptide(s)”	short chains of amino acids that play a crucial role in various biological processes, including skin rejuvenation and collagen synthesis
“personal care”	products designed to maintain personal cleanliness, hygiene and overall physical well-being
“product return rate”	measured by the ratio of the value of the returned products to the sum of our total revenue and the value of the returned products of each period
“QMS”	quality management system
“repurchase rate”	calculated by dividing the number of consumers who purchased our products for two or more times during a specific period of time by the number of consumers who made at least one purchase during the same period of time
“retail sales”	the monetary value paid by end-consumers on purchasing finished goods
“retinol”	a derivative of vitamin A, which plays a key role in helping cells regenerate. The ingredient is effective in battling wrinkles, roughness, hyperpigmentation and other skin imperfections
“S&OP”	sales and operations planning

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“SAP”	system applications and products system, an enterprise resource planning software, which incorporates various key business functions
“science-based skincare”	skincare products or routines that are developed based on scientific research, clinical studies and evidence-based ingredients
“skincare product(s)”	product that can protect and improve the condition of the skin
“SKU”	stock keeping unit
“sq.m.”	square meter, a unit of area measurement
“WMS”	warehouse management system