

FINANCIAL INFORMATION

You should read the following discussion and analysis with our historical financial information, including the notes thereto, included in the Accountants’ Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed “Risk Factors” and “Business.”

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading multi-brand cosmetics group homegrown in China. We are dedicated to building a leading global cosmetics group that delivers high-quality cosmetics products to consumers worldwide. According to Frost & Sullivan, we were the fifth-largest cosmetics group in China in terms of retail sales in 2025 with a market share of 1.5%, and the only Chinese group among the top five. We have remained the largest Chinese cosmetics group in terms of retail sales in China for five consecutive years from 2021 to 2025 with a market share of 3.0% in 2025 among China’s domestic cosmetics industry, demonstrating our well-established leading position.

We achieved rapid growth during the Track Record Period. Our revenue increased from RMB8,904.6 million in 2023 to RMB10,778.4 million in 2024 and remained relatively stable at RMB10,597.4 million in 2025. Our gross profit increased from RMB6,227.1 million in 2023 to RMB7,694.6 million in 2024 and remained relatively stable at RMB7,764.2 million in 2025. Our net profit increased from RMB1,230.8 million in 2023 to RMB1,585.3 million in 2024 and remained relatively stable at RMB1,542.5 million in 2025.

BASIS OF PREPARATION

The Historical Financial Information (as defined in Appendix I to this document) has been prepared in accordance with International Financial Reporting Standards (“IFRS”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value.

For more information on the basis of preparation of the Historical Financial Information, see Note 2.1 of Appendix I to this document.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and results of operations are impacted by a number of general factors including macroeconomic conditions, levels of per capita disposable income, industry growth and competition, changes in consumer behavior, relevant laws and regulatory policies, and force majeure events such as public health incidents, wars, social or economic instability and natural disasters. In addition, our business, financial condition and results of operations have been and will continue to be affected by company-specific factors, which primarily include the following:

Our Brands and Our Products

We have implemented a diversified product portfolio and multi-brand strategy that is central to our business performance. Through differentiated positioning of brands including PROYA (珀萊雅), HAPSODE (悅芙媧), TIMAGE (彩棠), INSBAHA (原色波塔) and Off&Relax, we have built a product portfolio that spans the skincare, makeup and personal care markets. Our portfolio of brands and products spans different positioning, with varying gross margin profiles. Consequently, changes in our brand and product mix may affect our financial performance. See “Business — Our Brands and Products.”

A majority of our revenue was generated from sales of skincare products during the Track Record Period. Our revenue generated from sales of skincare products was RMB7,559.4 million, RMB9,019.0 million and RMB8,181.7 million in 2023, 2024 and 2025, respectively, accounting for 85.0%, 83.8% and 77.3% of our revenue from sales of goods in the same respective years. Our revenue generated from our brand, PROYA (珀萊雅), was RMB7,177.3 million, RMB8,580.7 million and RMB7,689.1 million in 2023, 2024 and 2025, respectively, accounting for 80.7%, 79.7% and 72.6% of our revenue from sales of goods in the same respective years.

We have also been expanding into other product segments to explore new market opportunities and create new growth engines. Our revenue generated from sales of makeup products increased from RMB1,115.7 million in 2023 to RMB1,562.9 million in 2025. The revenue generated from sales of personal care products increased from RMB215.1 million in 2023 to RMB840.7 million in 2025.

We believe that our increasingly diverse product portfolio and multi-brand strategy enable us to effectively respond to evolving industry trends and consumer preferences.

R&D Capability

Our R&D capabilities support our diversified product portfolio and continuous product launches. We have made continuous R&D investments, which are supported by our in-house R&D capabilities and collaborations with reputable universities, research institutes and medical facilities. See “Business — Research and Development.” During the Track Record Period, we had research and development expenses of RMB173.6 million, RMB210.4 million and RMB216.8 million in 2023, 2024 and 2025, respectively.

Our R&D breakthroughs have enabled us to enrich and upgrade our products across our multiple brands. By anchoring our brand image around concepts such as “science-based skincare”, we have cultivated a professional and trustworthy product and brand identity, which enables us to enrich usage scenarios and foster stronger consumer trust and loyalty. We seek to adopt various measures to more efficiently manage our R&D expenses, such as setting our R&D direction based on precise identification of consumer needs and enhancing the collaboration between our R&D team and other business departments. Looking ahead, we remain committed to expanding our R&D capabilities and refining our strategic direction. Our ability to identify high-potential innovation areas that align with evolving market needs and our continuous R&D efforts would significantly affect our operational performance and sustainable growth.

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Sales Network

We have established a comprehensive sales network that integrates both online and offline sales channel. Through the development of this extensive network, we have significantly increased our brand visibility and product recognition across diverse customer segments.

Our online sales channel plays a pivotal role in our sales delivery, which covers online direct sales and online distribution. See “Business — Sales Network — Our Online Sales Channels.” Our online sales network not only constantly brings in new customers and broadens our customer base but also enhances brand loyalty and recognition among existing customers. Our revenue generated from online sales channel was RMB8,274.4 million, RMB10,233.7 million and RMB10,117.5 million, in 2023, 2024 and 2025, respectively, accounting for 93.1%, 95.1% and 95.6% of our revenue generated from sales of goods in the same years.

Our offline sales were mainly through offline distribution. See “Business — Sales Network — Our Offline Sales Channels.” During the Track Record Period, the revenue generated from offline sales channel was RMB615.9 million, RMB531.9 million and RMB467.9 million in 2023, 2024 and 2025, respectively, accounting for 6.9%, 4.9% and 4.4% of the revenue from sales of goods in the same years.

By integrating both online and offline sales channels, we aim to maximize traffic conversion, attract targeted consumers and ensure broad accessibility of our products. Going forward, we will continue to expand and optimize our sales channels to stay ahead of market trends and adapt to consumer preferences, which will be the key drivers of our future growth.

Branding and Marketing

Our marketing efforts are central to shaping a distinctive brand culture, amplifying influence and deepening consumer affinity. We have adopted a comprehensive and innovative marketing and branding strategy to promote our products and services, enhance our brand awareness and reputation, and attract and retain consumers. See “Business — Branding and Marketing.”

Our marketing investments are expected to continue influencing our financial performance. We recorded selling and distribution expenses of RMB3,972.2 million, RMB5,161.0 million, and RMB5,259.4 million in 2023, 2024 and 2025, respectively, accounting for 44.6%, 47.9% and 49.6% of our total revenue in the same years. We seek to adopt various measures to more efficiently conduct marketing activities, such as formulating budgets based on our business strategies, market trend and historical experience, conducting regular analysis of marketing campaigns and making adjustment accordingly. Our ability to undertake cost-effective branding and marketing activities is crucial for our operational efficiency and financial performance.

Production Capabilities and Procurement Management

Leveraging our advanced production capabilities and robust procurement management system, we are committed to delivering high-quality products. Our supply efficiency and product quality are mainly supported by our ability to (i) achieve scalable and flexible production to respond swiftly to market demand; and (ii) utilize digitalized production systems that enable standardized and resource-efficient operations.

In addition, procurement management is equally vital to maintaining product quality and controlling costs. We had cost of raw materials of RMB1,837.5 million, RMB2,148.0 million and RMB1,807.4 million in 2023, 2024 and 2025, respectively, accounting for 68.6%, 69.7% and 63.8% of our total cost of sales. Moreover, we had OEM/ODM expenses of RMB282.5 million, RMB369.9 million and RMB492.8 million in 2023, 2024 and 2025, respectively, accounting for 10.6%, 12.0% and 17.4% of our total cost of sales. Capitalizing on our profound industry experience, we formulate procurement plans and manage inventories to ensure a stable supply of raw materials and packaging. We have built long-term relationships with trusted suppliers and continuously improve our negotiation capabilities to secure favorable contract terms. We will continuously monitor supply and demand dynamics, allowing us to communicate effectively with suppliers and adjust procurement plans in real-time.

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MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

We have identified certain accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. There has not been any material deviation from our management’s estimates or assumptions and actual results and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. When reviewing our financial statements, you should consider the selection of our accounting policies, the judgments applied in their implementation and the sensitivity of reported results to changes in assumptions and conditions. Our material accounting policy information, estimates, assumptions and judgments, which are important for understanding our financial information and results of operations, are set forth in Note 2.3 and Note 3 of Appendix I to this document.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	8,904,574	10,778,412	10,597,429
Cost of sales	(2,677,446)	(3,083,849)	(2,833,243)
Gross profit	6,227,128	7,694,563	7,764,186
Other income and gains	126,524	154,898	136,849
Selling and distribution expenses	(3,972,201)	(5,161,012)	(5,259,412)
Administrative expenses	(546,098)	(450,009)	(496,449)
Research and development costs	(173,570)	(210,386)	(216,843)
Impairment losses on financial assets, net	(10,397)	(5,122)	19,675
Other expenses	(120,431)	(100,216)	(84,534)
Finance costs	(18,356)	(31,019)	(36,642)
Share of (losses)/profits of associates and a joint venture	(17,279)	(2,484)	43,719
Profit before tax	1,495,320	1,889,213	1,870,549
Income tax expense	(264,516)	(303,935)	(328,027)
Profit for the year	1,230,804	1,585,278	1,542,522
Attributed to:			
Owners of the parent	1,193,868	1,551,996	1,497,752
Non-controlling interests	36,936	33,282	44,770

Revenue

We had revenue of RMB8,904.6 million, RMB10,778.4 million and RMB10,597.4 million in 2023, 2024 and 2025, respectively. A majority of our revenue was from sales of goods.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales of goods	8,890,228	99.8	10,765,600	99.9	10,585,355	99.9
Rental income and others	14,346	0.2	12,812	0.1	12,074	0.1
Total	8,904,574	100.0	10,778,412	100.0	10,597,429	100.0

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Revenue from Sales of Goods by Product Segments

During the Track Record Period, our revenue was primarily derived from sales of cosmetics products, mainly including skincare, makeup and personal care products. See “Business — Our Brands and Products.” The following table sets out the breakdown of our revenue from sales of goods by product segments in absolute amount and as percentage of our revenue from sales of goods for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Skincare	7,559,420	85.0	9,018,977	83.8	8,181,724	77.3
Makeup	1,115,712	12.6	1,360,715	12.6	1,562,939	14.8
Personal care	215,096	2.4	385,908	3.6	840,692	7.9
Total	8,890,228	100.0	10,765,600	100.0	10,585,355	100.0

During the Track Record Period, the growth of our revenue from sales of goods was primarily driven by the sales of skincare products. In 2023, 2024 and 2025, our revenue from sales of skincare products accounted for 85.0%, 83.8% and 77.3% of our revenue from sales of goods for the respective years. We have developed a wide range of skincare products to meet diversified consumer needs. See “Business — Our Brands and Products — Skincare.”

We also offer a variety of makeup products. See “Business — Our Brands and Products — Makeup.” In 2023, 2024 and 2025, our revenue from sales of makeup products accounted for 12.6%, 12.6% and 14.8% of our revenue from sales of goods for the respective years.

In addition, we offer personal care products. See “Business — Our Brands and Products — Personal Care.” In 2023, 2024 and 2025, our revenue from sales of personal care products accounted for 2.4%, 3.6% and 7.9% of our revenue from sales of goods for the respective years.

Revenue from Sales of Goods by Brand

The following table sets out our revenue breakdown by brand in absolute amount and as percentage of our revenue from sales of goods for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
PROYA (珀萊雅)	7,177,345	80.7	8,580,748	79.7	7,689,072	72.6
TIMAGE (彩棠)	1,000,779	11.3	1,191,335	11.1	1,255,367	11.9
Off&Relax	215,095	2.4	368,105	3.4	744,253	7.0
HAPSODE (悦芙媿)	303,087	3.4	331,620	3.1	370,758	3.5
Others ⁽¹⁾	193,922	2.2	293,792	2.7	525,905	5.0
Total	8,890,228	100.0	10,765,600	100.0	10,585,355	100.0

Note:

- (1) Others mainly included INSBAHA (原色波塔), Awaken Seeds (驚時) and CORRECTORS (科瑞膚).

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Revenue from Sales of Goods by Sales Channel

During the Track Record Period, we sold our products through online sales channels consisting of (i) online direct sales and (ii) online distribution, and offline sales channels, primarily including offline distribution.

The following table sets out our revenue breakdown by sales channel in absolute amount and as percentage of our revenue from sales of goods for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Online	8,274,351	93.1	10,233,662	95.1	10,117,453	95.6
– Online direct sales .	6,748,550	75.9	8,121,889	75.5	8,192,415	77.4
– Online distribution .	1,525,801	17.2	2,111,773	19.6	1,925,038	18.2
Offline	615,877	6.9	531,938	4.9	467,902	4.4
– Offline distribution .	598,983	6.7	486,678	4.5	442,624	4.2
– Others	16,894	0.2	45,260	0.4	25,278	0.2
Total	8,890,228	100.0	10,765,600	100.0	10,585,355	100.0

During the Track Record Period, the majority of our revenue from sales of goods was primarily derived from our products sales via online sales channel. Our online sales were mainly conducted through our online direct sales presence through major e-commerce platforms, which were complemented by online distribution. Our revenue generated from online sales channels was RMB8,274.4 million, RMB10,233.7 million and RMB10,117.5 million, in 2023, 2024 and 2025, respectively, accounting for 93.1%, 95.1% and 95.6% of our revenue from sales of goods in the respective years.

In parallel, we also generated revenue from sales of goods via offline sales channels. During the Track Record Period, the revenue generated from offline sales channel was RMB615.9 million, RMB531.9 million and RMB467.9 million in 2023, 2024 and 2025, respectively, accounting for 6.9%, 4.9% and 4.4% of the revenue from sales of goods in the respective years.

Cost of Sales

We had cost of sales of RMB2,677.4 million, RMB3,083.8 million and RMB2,833.2 million in 2023, 2024 and 2025, respectively. During the Track Record Period, our cost of sales mainly included (i) cost of raw materials; (ii) OEM/ODM expenses; and (iii) logistics and transportation costs.

The following table sets out a breakdown of our cost of sales by nature in absolute amount and as percentage of our total cost of sales for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales of goods	2,666,865	99.6	3,077,385	99.8	2,825,598	99.7
– Cost of raw materials .	1,837,457	68.6	2,147,951	69.7	1,807,408	63.8
– OEM/ODM expenses .	282,471	10.6	369,902	12.0	492,775	17.4
– Logistics and transportation costs . .	384,253	14.4	382,552	12.4	371,169	13.1
– Labor cost	106,505	4.0	108,145	3.5	97,948	3.5
– Manufacturing overhead	56,179	2.0	68,836	2.2	56,297	2.0
Rental income and others	10,581	0.4	6,464	0.2	7,645	0.3
Total	2,677,446	100.0	3,083,849	100.0	2,833,243	100.0

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Gross Profit and Gross Profit Margin

In 2023, 2024 and 2025, we had gross profit of RMB6,227.1 million, RMB7,694.6 million and RMB7,764.2 million, respectively. Our gross profit margin was 69.9%, 71.4% and 73.3% in 2023, 2024 and 2025, respectively. A majority of our gross profit was from sales of goods.

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Sales of goods.	6,223,363	70.0	7,688,215	71.4	7,759,757	73.3
Rental income and others	3,765	26.2	6,348	49.5	4,429	36.7
Total	6,227,128	69.9	7,694,563	71.4	7,764,186	73.3

Gross Profit and Gross Profit Margin from Sales of Goods by Product Segments

The following table sets out a breakdown of our gross profit and gross profit margin from sales of goods by product segments for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Skincare	5,313,047	70.3	6,454,370	71.6	6,002,615	73.4
Makeup	775,115	69.5	972,305	71.5	1,148,002	73.5
Personal care	135,201	62.9	261,540	67.8	609,140	72.5
Total	6,223,363	70.0	7,688,215	71.4	7,759,757	73.3

Gross Profit and Gross Profit Margin from Sales of Goods by Sales Channel

The following table sets out a breakdown of our gross profit and gross profit margin from sales of goods by sales channel for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
		(%)		(%)		(%)
Online	5,861,076	70.8	7,369,640	72.0	7,468,381	73.8
– Online direct sales	4,825,476	71.5	5,958,620	73.4	6,236,988	76.1
– Online distributors	1,035,600	67.9	1,411,020	66.8	1,231,393	64.0
Offline	362,287	58.8	318,575	59.9	291,376	62.3
– Offline distribution.	359,891	60.1	311,072	62.4	280,002	63.3
– Others	2,396	14.2	7,503	22.4	11,374	45.0
Total	6,223,363	70.0	7,688,215	71.4	7,759,757	73.3

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Other Income and Gains

We had other income and gains of RMB126.5 million, RMB154.9 million and RMB136.8 million in 2023, 2024 and 2025, respectively. During the Track Record Period, our other income primarily consisted of (i) government grants, mainly representing the grants from local government relating to our contribution to the local economic growth as well as our capital investments in long-term assets; and (ii) bank interest income. During the Track Record Period, our other gains mainly consisted of (i) foreign exchange gains relating to exchange rate movements and (ii) investment income on wealth management product. See “— Financial Risk Disclosure — Foreign Currency Risk.” We also recorded loss on disposal of an associate and subsidiaries, mainly in 2025.

The following table sets out a breakdown of our other income and other gains and losses for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Government grants	44,044	54,855	55,591
Bank interest income	75,347	72,070	58,312
Others	983	30,948	14,235
Total other income	120,374	157,873	128,138
Gains			
Gain/(loss) on disposal of items of property, plant and equipment	(704)	(1,116)	(1,093)
Losses on disposal of items of other intangible assets	—	(2)	—
Foreign exchange gains/(losses), net	2,801	(4,402)	7,576
Loss on disposal of subsidiaries and an associate	(113)	—	(5,024)
Investment income on wealth management product	—	—	5,332
Others	4,166	2,545	1,920
Total other gains and losses	6,150	(2,975)	8,711
Total	126,524	154,898	136,849

Selling and Distribution Expenses

We had selling and distribution expenses of RMB3,972.2 million, RMB5,161.0 million and RMB5,259.4 million in 2023, 2024 and 2025, respectively. Our selling and distribution expenses primarily consisted of (i) branding and marketing expenses and (ii) staff costs.

The following table sets out a breakdown of our selling and distribution expenses in absolute amounts and as percentage of our total selling and distribution expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Branding and marketing expenses . . .	3,533,952	89.0	4,601,875	89.2	4,665,780	88.7
Staff costs	362,408	9.1	483,934	9.4	515,384	9.8
Share-based payments	4,761	0.1	97	—	847	—
Others ⁽¹⁾	71,080	1.8	75,106	1.4	77,401	1.5
Total	3,972,201	100.0	5,161,012	100.0	5,259,412	100.0

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Note:

- (1) Others mainly included travel expenses, consulting expenses and conference expenses.

Administrative Expenses

We had administrative expenses of RMB546.1 million, RMB450.0 million and RMB496.4 million in 2023, 2024 and 2025, respectively. Our administrative expenses primarily consisted of (i) staff costs, (ii) taxes and surcharges, such as urban maintenance and construction tax; (iii) office expenses; and (iv) depreciation, amortization and rental expenses.

The following table sets out a breakdown of our administrative expenses in absolute amount and as percentage of our total administrative expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	199,180	36.5	207,748	46.2	240,487	48.4
Taxes and surcharges	90,656	16.6	84,153	18.7	92,905	18.7
Office expenses	86,374	15.8	68,149	15.1	63,426	12.8
Depreciation, amortization and rental expenses	47,864	8.7	47,918	10.6	49,017	9.9
Travel and conference expenses	28,772	5.3	5,645	1.3	13,587	2.7
Share-based payment expenses	62,868	11.5	6,333	1.4	(7,926)	(1.6)
Others ⁽¹⁾	30,384	5.6	30,063	6.7	44,953	9.1
Total	546,098	100.0	450,009	100.0	496,449	100.0

Note:

- (1) Others mainly included professional service fees.

Research and Development Costs

We had research and development costs of RMB173.6 million, RMB210.4 million and RMB216.8 million in 2023, 2024 and 2025, respectively. Our research and development costs primarily consisted of (i) staff costs; (ii) third-party R&D expenses, mainly representing costs associated with collaborative R&D activities with external parties; and (iii) depreciation, amortization and rental expenses, mainly representing the depreciation of property, plant and equipment and amortization of intangible assets and right-of-use assets related to R&D activities.

The following table sets out a breakdown of our research and development costs in absolute amount and as percentage of our total research and development costs for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	87,887	50.6	100,364	47.7	105,444	48.6
Third-party R&D expenses	49,918	28.8	69,110	32.8	71,000	32.7
Depreciation, amortization and rental expenses	14,908	8.6	20,501	9.7	23,011	10.6
Material expenses	9,068	5.2	14,153	6.7	12,719	5.9
Share-based payment	8,460	4.9	3,113	1.5	(118)	(0.1)
Others	3,329	1.9	3,145	1.6	4,787	2.3
Total	173,570	100.0	210,386	100.0	216,843	100.0

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Net Reversal of Impairment Losses/Impairment Losses on Financial Assets

Our impairment losses on financial assets are primarily related to our trade receivables. We had net impairment losses on financial assets of RMB10.4 million, RMB5.1 million and a net reversal of impairment losses of RMB19.7 million in 2023, 2024 and 2025, respectively. See “— Discussion of Certain Key Balance Sheet Items —Trade and Bills Receivables.”

Other Expenses

We had other expenses of RMB120.4 million, RMB100.2 million and RMB84.5 million in 2023, 2024 and 2025, respectively. Our other expenses during the Track Record Period consisted of (i) provision for impairment of inventories; (ii) provision for impairment of investment in an associate; and (iii) donations.

The following table sets out a breakdown of our other expenses for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other expenses			
Provision for impairment of inventories . .	106,758	95,860	74,162
Provision for impairment of investment in an associate.	—	—	2,419
Provision for impairment of property, plant and equipment	1,338	—	—
Donations	8,865	2,589	5,817
Others	3,470	1,767	2,136
Total	120,431	100,216	84,534

Finance Costs

We had finance costs of RMB18.4 million, RMB31.0 million, and RMB36.6 million in 2023, 2024 and 2025, respectively. Our finance costs mainly consisted of interest on convertible bonds. We also recorded interest capitalized relating to convertible bonds during the Track Record Period. See “— Indebtedness — Convertible Bonds.”

The following table sets out a breakdown of our finance costs for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expenses on convertible bonds, net	28,026	33,134	35,742
Interest expenses on bank borrowings . .	5,867	4,226	413
Interest expenses on lease liabilities. . . .	355	634	526
Less: Interest expenses capitalized	(15,892)	(6,975)	(39)
Total	18,356	31,019	36,642

Share of Losses or Profits of Associates and a Joint Venture

Our share of losses or profits of associates and a joint venture related to our investments in the respective entities. See Notes 18 and 19 of Appendix I to this document. We had share of losses of associates and a joint venture of RMB17.3 million and RMB2.5 million in 2023 and 2024. We had share of profits of associates and a joint venture of RMB43.7 million in 2025.

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Income Tax Expense

We recorded income tax expense of RMB264.5 million, RMB303.9 million and RMB328.0 million in 2023, 2024 and 2025, respectively, mainly representing current income tax provisioned by us under the PRC income tax laws and regulations.

PRC. Pursuant to the Enterprise Income Tax (“EIT”) Law of the PRC (the “EIT Law”), our operations in the PRC are subject to EIT at a rate of 25% unless otherwise specified. Specifically, we are subject to certain preferential tax rates in the PRC. Our Company was recognized as a National High-Tech Enterprise under relevant regulations in 2020 and 2023, thereby qualifying for a preferential corporate income tax rate of 15% during the Track Record Period. The validity period of this qualification is three years since the date of certificate issuance. This qualification is subject to review by the relevant tax authority in the PRC upon expiration. In addition, certain of our PRC subsidiaries are qualified as small and micro enterprises and were entitled to a preferential corporate income tax rate during the Track Record Period.

Hong Kong. Our subsidiary incorporated in Hong Kong was subject to the two-tiered profits tax rate regime, i.e., the first HK\$2.0 million of assessable profits were taxed at 8.25% and the remaining assessable profits were taxed at 16.5% during the Track Record Period.

Japan. Our subsidiary incorporated in Japan was subject to income tax at a rate of 30% of the assessable profits arising in Japan.

During the Track Record Period and up to the Latest Practicable Date, we had made all the material required tax filings with the relevant tax authorities, and we were not aware of any material and pending or potential disputes with such tax authorities.

Profit for the Year

As a result of the foregoing, we recorded net profit of RMB1,230.8 million, RMB1,585.3 million and RMB1,542.5 million in 2023, 2024 and 2025, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenue

Our total revenue remained relatively stable at RMB10,778.4 million in 2024 and RMB10,597.4 million in 2025.

Cost of Sales

Our cost of sales decreased by 8.1% from RMB3,083.8 million in 2024 to RMB2,833.2 million in 2025, primarily due to (i) savings in packaging material costs attributable to adjustments in our gift-with-purchase arrangements, whereby replacing small-sized samples with medium-sized products reduced the number of filling cycles and, accordingly, packaging material consumption; and (ii) our enhanced bargaining power in the procurement of raw materials and packaging materials.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit remained relatively stable at RMB7,694.6 million in 2024 and RMB7,764.2 million in 2025, respectively. Our gross profit margin increased from 71.4% in 2024 to 73.3% in 2025, primarily due to a decrease in procurement costs driven by reduced purchasing prices for key raw materials, primarily due to supply chain optimization.

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Other Income and Gains

Our other income and gains decreased by 11.7% from RMB154.9 million in 2024 to RMB136.8 million in 2025, primarily due to a decrease in interest income from bank deposits of RMB24.6 million, resulting from lower interest rates on bank deposits.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB5,161.0 million in 2024 and RMB5,259.4 million in 2025.

Administrative Expenses

Our administrative expenses increased by 10.3% from RMB450.0 million in 2024 to RMB496.4 million in 2025, primarily due to (i) an increase in staff costs of RMB32.7 million attributable to the increase number of management personnel; and (ii) an increase in taxes and surcharges of RMB8.8 million.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB210.4 million in 2024 and RMB216.8 million in 2025.

Other Expenses

Our other expenses decreased by 15.7% from RMB100.2 million in 2024 to RMB84.5 million in 2025, primarily due to a decrease in impairment on inventory of RMB21.7 million, which was partially offset by (i) an increase in donation of RMB3.2 million and (ii) an increase in provision for impairment of investment in an associate of RMB2.4 million.

Finance Costs

Our finance costs increased by 18.1% from RMB31.0 million in 2024 to RMB36.6 million in 2025, primarily due to a decrease in interest expenses capitalized of RMB6.9 million which was primarily attributable to certain construction projects were completed during the year and the related interest on convertible bonds ceased to be capitalized and was expensed.

Share of Losses or Profits of Associates and a Joint Venture

Our share of results of associates and a joint venture turned from a loss of RMB2.5 million in 2024 to a profit of RMB43.7 million in 2025, primarily due to the profit contribution from a newly added associate.

Income Tax Expense

Our income tax expense increased by 7.9% from RMB303.9 million in 2024 to RMB328.0 million in 2025, primarily attributable to (i) the utilization of a greater amount of previously unrecognized deferred tax assets during 2024 compared with 2025, which reduced our income tax expense in 2024 and (ii) the tax effect of investment income generated from associates and a joint venture.

Profit for the Year

As a result of the foregoing, our profit for the year remained relatively stable at RMB1,585.3 million in 2024 and RMB1,542.5 million in 2025.

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Year ended December 31, 2024 Compared with the Year Ended December 31, 2023

Revenue

Our total revenue increased by 21.0% from RMB8,904.6 million in 2023 to RMB10,778.4 million in 2024, primarily due to (i) an increase in the revenue from skincare products by 19.3% from RMB7,559.4 million in 2023 to RMB9,019.0 million in 2024 mainly driven by the revenue increase in PROYA (珀萊雅); (ii) an increase in the revenue from makeup products by 22.0% from RMB1,115.7 million in 2023 to RMB1,360.7 million in 2024, mainly driven by the revenue increase in TIMAGE (彩棠) and INSBABA (原色波塔); and (iii) an increase in the revenue from personal care products by 79.4% from RMB215.1 million in 2023 to RMB385.9 million in 2024, mainly driven by the revenue increase in Off&Relax. Such growth was propelled by increasing popularity of their signature products, new product launch and enhanced brand recognition, which also reflected our online sales increase driven by our enhanced promotional efforts on online channels.

Cost of Sales

Our cost of sales increased by 15.2% from RMB2,677.4 million in 2023 to RMB3,083.8 million in 2024, which was generally in line with our revenue growth in the same year.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 23.6% from RMB6,227.1 million in 2023 to RMB7,694.6 million in 2024, and our gross profit margin increased from 69.9% in 2023 to 71.4% in 2024, primarily attributable to (i) economies of scale, as expanded procurement and production volumes enable us to secure more stable and cost-effective raw material supply; (ii) the increasing proportion of online sales which typically exhibits a relatively high margin; and (iii) the increasing sales of our signature skincare products.

Other Income and Gains

Our other income and gains increased by 22.5% from RMB126.5 million in 2023 to RMB154.9 million in 2024, primarily attributable to (i) an increase in others, mainly due to the timing difference of additional input VAT deduction; and (ii) an increase in government grants primarily reflecting subsidy awarded to one of our subsidiaries to support its business expansion, which rose by RMB12.5 million compared to the previous year. Such increase was partially offset by an increase in foreign exchange loss resulting from exchange rate movements.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 29.9% from RMB3,972.2 million in 2023 to RMB5,161.0 million in 2024, primarily attributable to an increase in enhanced brand image promotion and marketing campaigns.

Administrative Expenses

Our administrative expenses decreased by 17.6% from RMB546.1 million in 2023 to RMB450.0 million in 2024, primarily attributable to a decrease in share-based payment expenses, mainly due to less outstanding restricted shares compared to prior year.

Research and Development Costs

Our research and development costs increased by 21.2% from RMB173.6 million in 2023 to RMB210.4 million in 2024, primarily attributable to (i) an increase in staff costs mainly driven by an increase in headcount in response to the expansion of R&D projects; (ii) third-party R&D expenses to support our R&D efforts; and (iii) an increase in depreciation, amortization and rental expenses associated with these R&D facilities.

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Other Expenses

Our other expenses decreased by 16.8% from RMB120.4 million in 2023 to RMB100.2 million in 2024, primarily due to a decrease in provision for impairment of inventories, mainly due to our improving inventory turnover.

Finance Costs

Our finance costs increased by 68.5% from RMB18.4 million in 2023 to RMB31.0 million in 2024, primarily attributable to (i) an increase in interest expenses generated from utilized convertible bond with interest income from unutilized portion decreased; and (ii) reduced interest capitalized following the completion of major construction projects in 2024.

Share of Losses or Profits of Associates and a Joint Venture

Our share of losses of associates and a joint venture decreased from RMB17.3 million in 2023 to RMB2.5 million in 2024, primarily attributable to the improving performance of the companies we invested.

Income Tax Expense

Our income tax expense increased by 14.9% from RMB264.5 million in 2023 to RMB303.9 million in 2024, primarily attributable to an increase in current income tax, which was in line with the growth in our profit before tax of the same year.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 28.8% from RMB1,230.8 million in 2023 to RMB1,585.3 million in 2024.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets out selected information from our consolidated statements of financial position as of the dates indicated:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	945,241	1,050,795	1,054,371
Investment properties	66,156	63,537	62,924
Prepayments, other receivables and other assets	16,975	11,258	63,679
Right-of-use assets	382,277	406,382	435,016
Intangible assets	37,849	38,772	65,866
Investment in a joint venture	3,060	3,263	3,261
Investments in associates	110,514	107,828	438,043
Equity investments designated at fair value through other comprehensive income	107,660	71,257	78,767
Deferred tax assets	108,494	163,733	149,070
Total non-current assets	1,778,226	1,916,825	2,350,997

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	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets			
Inventories	797,215	661,410	634,718
Trade and bills receivables	351,935	517,955	72,642
Prepayments, other receivables and other assets	384,501	351,867	347,234
Amounts due from related parties	115	–	20,844
Pledged deposits	16,530	11,815	7,282
Time deposits	335,288	1,327,742	1,119,456
Cash and cash equivalents	3,659,268	2,742,570	3,934,244
Total current assets	5,544,852	5,613,359	6,136,420
Current liabilities			
Trade and bills payables	983,094	638,115	743,513
Other payables and accruals	502,639	331,009	306,290
Interest-bearing bank loans	200,156	–	80,053
Lease liabilities	3,970	3,474	7,738
Tax payable	127,005	86,111	67,549
Contract liabilities	301,045	153,840	167,633
Amount due to a related party	2,322	–	1,340
Total current liabilities	2,120,231	1,212,549	1,374,116
Net current assets	3,424,621	4,400,810	4,762,304
Non-current liabilities			
Lease liabilities	9,970	10,955	19,710
Convertible bonds	753,120	780,011	804,392
Deferred income	6,383	15,261	22,680
Deferred tax liabilities	–	–	–
Other non-current liabilities	33,063	25,162	–
Total non-current liabilities	802,536	831,389	846,782
Net assets	4,400,311	5,486,246	6,266,519

Inventories

Our inventories primarily consisted of (i) finished goods; (ii) raw materials, mainly representing ingredients and packaging materials; and (iii) work in progress. The following table sets out a breakdown of our inventories as of the dates indicated:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	114,833	85,507	71,046
Work in progress	22,632	16,560	9,983
Finished goods	659,750	559,343	553,689
Total	797,215	661,410	634,718

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Our inventories decreased by 17.0% from RMB797.2 million as of December 31, 2023 to RMB661.4 million as of December 31, 2024, primarily due to a decrease in finished goods and raw materials driven by our optimized inventory management.

Our inventories remained relatively stable at RMB661.4 million as of December 31, 2024 and RMB634.7 million as of December 31, 2025.

The following table sets forth the aging analysis of our inventory after deduction of provision as of the dates indicated:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	791,543	650,451	621,115
1-2 years	5,602	10,959	13,416
Over 2 years	70	—	187
Total	797,215	661,410	634,718

Our inventory turnover days for a year equal the average of the net value of the opening and closing inventory (net of impairment loss) balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year ended December 31, 2023, 2024 and 2025. Our inventory turnover days decreased from 98.6 days in 2023 to 85.1 days in 2024, further decreased to 82.3 days in 2025, primarily attributable to our accelerated product sales and optimized inventory management.

As of March 31, 2026, approximately RMB323.7 million or 51.0% of our inventories as of December 31, 2025 had been consumed.

Trade and Bills Receivables

Our trade and bills receivables during the Track Record Period primarily consisted of (i) trade receivables, and (ii) bills receivables. The following table sets out the breakdown of our trade and bills receivables as of the dates indicated:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	375,478	555,275	84,181
Bills receivables	7,379	—	2,492
Less: Impairment	(30,922)	(37,320)	(14,031)
Total	351,935	517,955	72,642

Our trade and bills receivables increased from RMB351.9 million as of December 31, 2023 to RMB518.0 million as of December 31, 2024, mainly driven by our expanded sales cooperation with several major online distributors, which enabled us to further benefit from the surge in sales during major shopping festivals such as Double Eleven and Double Twelve.

Our trade and bills receivables decreased by 86.0% from RMB518.0 million as of December 31, 2024 to RMB72.6 million as of December 31, 2025, primarily attributed to a decrease in trade receivables, mainly due to adjustments to payment and procurement cycles for a certain major client.

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The following table sets out the aging analysis of our trade and bills receivables based on the invoice date as of the dates indicated:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	350,590	517,191	72,148
1-2 years	951	219	494
2-3 years	394	545	—
Total	351,935	517,955	72,642

We primarily conduct transactions with our customers on prepayment basis, except for certain major customers. We typically offer such major customers a credit period within 90 days. We seek to maintain strict control over our outstanding trade and bills receivables. We strengthen credit assessments before entering into transactions and we selectively engage with customers demonstrating sound credit profiles. We also closely monitor the outstanding balances of receivables from the customers on an ongoing basis. During the Track Record Period, substantially all of our trade and bills receivables, being 99.6%, 99.9% and 99.3% as of December 31, 2023, 2024 and 2025, respectively, were aged within one year.

Our trade and bills receivables turnover days equal to the average of ending balance of trade and bills receivables (net of impairment loss) divided by revenue for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year ended December 31, 2023, 2024 and 2025. Our trade and bills receivables turnover days increased from 9.2 days in 2023 to 14.5 days in 2024, primarily attributable to the rising proportion and amount of sales to certain major online distributors, for whom we typically provide relatively longer credit period based on our assessment of their creditworthiness and history of cooperation. Our trade and bills receivables turnover days decreased from 14.5 days in 2024 to 10.0 days in 2025, primarily due to earlier launch of the Double Eleven promotional campaign in 2025, which led to earlier completion of the related sales and settlements and a lower balance of receivables from an e-commerce platform as at year end.

As of March 31, 2026, approximately RMB64.0 million or 88.2% of our trade and bills receivables as of December 31, 2025 had been settled.

Prepayments, Other Receivables and Other Assets

Prepayments, Other Receivables and Other Assets under Current Portion

Our prepayments, other receivables and other assets under current portion primarily consisted of (i) prepayments and prepaid expenses, mainly relating to marketing activities; (ii) receivables from equity transfer; (iii) deductible input VAT; and (iv) deposits and other receivables.

The following table sets out a breakdown of our prepayments, deposits and other receivables under current portion as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deductible input VAT	90,307	102,376	136,914
Corporate income tax recoverable	268	10,371	3,838

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	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments and prepaid expenses	202,770	223,879	169,435
Deposits and other receivables	119,518	41,129	44,764
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	9,543	7,127	4,172
Less: Impairment allowance.	(37,905)	(33,015)	(35,305)
Total	[REDACTED]	[REDACTED]	[REDACTED]

Our prepayments, other receivables and other assets under current portion decreased by 8.5% from RMB384.5 million as of December 31, 2023 to RMB351.9 million as of December 31, 2024, primarily attributable to a decrease in deposits and other receivables, primarily attributable to our collection of rebates from certain online platforms, and certain platforms shifted from cash-based rebates to voucher-based incentives that were used to offset marketing expenses in 2024. Such decrease was partially offset by an increase in prepayments and prepaid expenses, corporate income tax recoverable and deductible input VAT.

Our prepayments, other receivables and other assets under current portion remained relatively stable at RMB351.9 million in 2024 and RMB347.2 million in 2025.

As of March 31, 2026, RMB191.7 million or approximately 55.2% of our prepayments, other receivables and other assets under current portion as of December 31, 2025 had been settled.

Prepayments, Other Receivables and Other Assets under Non-current Portion

Our prepayments, other receivables and other assets under non-current portion primarily consisted of (i) prepayments for equity investment; (ii) prepayments for property, plant and equipment; and (iii) prepaid endorsement fee.

The following table sets out a breakdown of our prepayments, deposits and other receivables under non-current portion as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments for property, plant and equipment	8,776	370	1,110
Prepaid endorsement fee	—	—	47,877
Others	8,199	10,888	14,692
Total	16,975	11,258	63,679

Our prepayments, other receivables and other assets under non-current portion decreased by 33.5% from RMB17.0 million as of December 31, 2023 to RMB11.3 million as of December 31, 2024, primarily attributable to a decrease in prepayments for property, plant and equipment, mainly because the construction of our production and R&D facilities approached completion.

Our prepayments, other receivables and other assets under non-current portion increased from RMB11.3 million as of December 31, 2024 to RMB63.7 million as of December 31, 2025, primarily attributable to prepaid endorsement fee of RMB47.9 million.

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Trade and Bills Payables

Our trade and bills payables during the Track Record Period consisted of (i) trade payables; and (ii) bills payables. The following table sets out the breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	946,135	638,115	743,513
Bills payables	36,959	—	—
Total	983,094	638,115	743,513

Our trade and bills payables decreased by 35.1% from RMB983.1 million as of December 31, 2023 to RMB638.1 million as of December 31, 2024, primarily due to a decrease in trade payables, mainly because promotional campaigns for Double Eleven on online platforms were scheduled earlier, resulting in the payments to ingredient supplier and marketing service providers being settled before year-end.

Our trade and bills payables increased by 16.5% from RMB638.1 million as of December 31, 2024 to RMB743.5 million as of December 31, 2025, primarily attributable to an increase in trade payables of RMB95.0 million, as inventory build-up was deferred to later months of the year compared with the previous year, resulting in a higher outstanding balance of trade payables as at year end.

Our trade and bills payables are non-interest-bearing and are normally settled on terms within 90 days after invoice issuance. The following table sets out the aging analysis of our trade and bills payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within a year	975,326	620,508	718,977
1 to 2 years	1,829	12,569	16,043
2 to 3 years	1,173	309	5,307
Over 3 years	4,766	4,729	3,186
Total	983,094	638,115	743,513

Our trade and bills payables turnover days for a year equal the average of the gross value of the opening and closing trade and bills payables balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year ended December 31, 2023, 2024 and 2025. Our trade and bills payables turnover days decreased from 102.1 days in 2023 to 94.6 days in 2024, primarily because promotional campaigns for Double Eleven on online platforms were scheduled earlier, resulting in the payments to raw materials suppliers and marketing service providers being settled by year-end and a corresponding decrease in trade and bills payables. Our trade and bills payables turnover days further decreased to 87.8 days in 2025, primarily attributable to a decrease in procurement costs resulting from our cost-control measures, including supply chain optimization, supplier diversification for raw materials and a decline in average purchase prices.

As of March 31, 2026, approximately RMB582.0 million or 78.3% of our trade and bills payables as of December 31, 2025 had been settled.

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Other Payables and Accruals

Our other payables and accruals during the Track Record Period primarily consisted of (i) staff payroll and welfare payables; (ii) payable for purchase of property, plant and equipment; (iii) VAT and other tax payables; and (iv) considerations received from employees under restricted A-share incentive scheme.

The following table sets out a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
VAT and other tax payables	110,783	45,255	34,440
Payroll and welfare payables	166,444	155,703	161,390
Payable for purchase of property, plant and equipment	72,066	38,273	53,611
Deposits	41,092	40,845	39,849
Considerations received from employees under restricted A-share incentive scheme	107,884	46,131	—
Others	4,370	4,802	17,000
Total	502,639	331,009	306,290

Our other payables and accruals decreased by 34.1% from RMB502.6 million as of December 31, 2023 to RMB331.0 million as of December 31, 2024, primarily attributable to (i) the settlement of VAT and other tax payables; (ii) a decrease in considerations received from employees under restricted A-share incentive scheme, mainly due to the unlocking and repurchasing of restricted shares in accordance to the 2022 Restricted Share Incentive Plan; and (iii) a decrease in payable for purchase of property, plant and equipment deposits after settlement for our construction-in-progress.

Our other payables and accruals further decreased by 7.5% from RMB331.0 million as of December 31, 2024 to RMB306.3 million as of December 31, 2025, primarily attributable to (i) a decreased in considerations received from employees under restricted A-share incentive scheme from RMB46.1 million in 2024 to nil in 2025, as all restricted A-shares were fully unlocked during the year and we were fully discharged from the related repurchase obligations under the incentive scheme; and (ii) a decrease in VAT and other tax payables of RMB10.8 million. This decrease was partially offset by an increase in payable for purchase of property, plant and equipment of RMB15.3 million.

As of March 31, 2026, RMB216.4 million or approximately 70.6% of our other payables and accruals as of December 31, 2025 had been settled.

Contract Liabilities

Our contract liabilities during the Track Record Period primarily consisted of (i) unredeemed membership points representing our estimated obligation for future product redemption; and (ii) deferred revenue that mainly represents advance payments received from distributors.

Our contract liabilities decreased by 48.9% from RMB301.0 million as of December 31, 2023 to RMB153.8 million as of December 31, 2024, primarily attributable to (i) a decline in revenue from offline sales channels, which led to lower prepayments from offline distributors; and (ii) the

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reversal of an accrued provision related to promotional gifts. Our contract liabilities increased by 9.0% from RMB153.8 million as of December 31, 2024 to RMB167.6 million as of December 31, 2025, primarily due to an increase in advance payments received from offline distributors in connection with early inventory build-up for near-term sales.

As of March 31, 2026, RMB53.3 million or 31.8% of our contract liabilities as of December 31, 2025, had been recognized as revenue.

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of (i) buildings, and (ii) plant and machinery. The following table sets out a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Buildings	611,247	615,993	593,312
Plant and machinery	192,519	272,800	285,390
Furniture, fixtures and equipment	35,363	32,558	30,624
Vehicles	6,864	12,953	9,009
Construction in progress	52,038	74,584	99,694
Leasehold improvements	47,210	41,907	36,342
Total	945,241	1,050,795	1,054,371

Our property, plant and equipment increased by 11.2% from RMB945.2 million as of December 31, 2023 to RMB1,050.8 million as of December 31, 2024, primarily attributable to an increase in plant and machinery to support our production needs. Our property, plant and equipment remained relatively stable at RMB1,050.8 million as of December 31, 2024 and RMB1,054.4 million as of December 31, 2025.

Right-of-use Assets

Our right-of-use assets increased by 6.3% from RMB382.3 million as of December 31, 2023 to RMB406.4 million as of December 31, 2024, primarily attributable to the addition of a new lease for office premises to support our business expansion and growing operational scale. Our right-of-use assets increased from RMB406.4 million as of December 31, 2024 to RMB435.0 million as of December 31, 2025.

Investments in Associates

Our investments in associates remained relatively stable at RMB110.5 million as of December 31, 2023 and RMB107.8 million as of December 31, 2024. Our investments in associates increased by 306.3% from RMB107.8 million as of December 31, 2024 to RMB438.0 million as of December 31, 2025, primarily due to our equity investment of RMB434.6 million in Shenzhen Flowerknows Electronic Commerce Co., Ltd (深圳花知曉電子商務有限公司).

Equity Investments Designated at Fair Value Through Other Comprehensive Income

Our equity investments designated at fair value through other comprehensive income consisted of investments in certain companies. See Note 20 of Appendix I to this document.

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Our equity investments designated at fair value through other comprehensive income decreased by 33.8% from RMB107.7 million as of December 31, 2023 to RMB71.3 million as of December 31, 2024, primarily attributable to a decrease in equity investments designated in fair value through other comprehensive income in Gaolang Holding Co., Ltd. (“Gaolang”), as we adjusted the carrying amount of the investment based on a valuation report issued by a third-party professional appraiser by conducting a comprehensive business analysis that took into account Gaolang’s affected operating performance and the downward adjustment in its future market expectations to determine its period-end fair value. Our Equity investments designated at fair value through other comprehensive income increased from RMB71.3 million as of December 31, 2024 to RMB78.8 million as of December 31, 2025, primarily attributable to our new equity investments designated in fair value through other comprehensive income in Beijing ChemPion Biotechnology Co.,Ltd. (北京樺冠生物技術有限公司) of RMB10.0 million.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years or as of the dates indicated:

	For the year ended /As of December 31,		
	2023	2024	2025
Gross profit margin (%) ⁽¹⁾	69.9	71.4	73.3
Net profit margin (%) ⁽²⁾	13.8	14.7	14.6
Current ratio ⁽³⁾	2.6	4.6	4.5
Quick ratio ⁽⁴⁾	2.2	4.1	4.0

Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%.
- (2) Net profit margin equals net profit divided by revenue for the year and multiplied by 100%.
- (3) Current ratio equals total current assets divided by total current liabilities as of the relevant dates.
- (4) Quick ratio equals total current assets less inventories and divided by total current liabilities as of the relevant dates.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our operations principally from cash generated from operating activities and borrowings. As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB3,659.3 million, RMB2,742.6 million and RMB3,934.2 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied using a combination of operating cash flow, equity and debt financing and [REDACTED] received from the [REDACTED].

Cash Flow

The following table sets out our cash flow for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash flow generated from operating activities	1,468,795	1,107,000	2,193,147
Net cash flows used in investing activities	(475,831)	(1,265,289)	(237,881)

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	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash flow used in financing activities	(460,279)	(758,295)	(763,282)
Net increase/(decrease) in cash and cash equivalents	532,685	(916,584)	1,191,984
Cash and cash equivalents at the end of each year	3,659,268	2,742,570	3,934,244

Net Cash Generated from Operating Activities

Net cash generated from operating activities primarily comprises our profit before income tax for the year adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital.

In 2025, our net cash generated from operating activities was RMB2,193.1 million, which was primarily attributed to our profit before income tax of RMB1,870.5 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising (a) depreciation of property, plant and equipment of RMB103.2 million; and (b) impairment of inventory of RMB74.2 million; and (ii) changes in working capital, which primarily comprised (a) a decrease in trade and bills receivables of RMB467.4 million; and (b) an increase in trade and bills payables of RMB105.4 million; partially offset by an increase in prepayments, other receivables and other assets of RMB45.1 million.

In 2024, our net cash generated from operating activities was RMB1,107.0 million, which was primarily attributed to our profit before income tax of RMB1,889.2 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising (a) inventory impairment of RMB95.9 million; (b) depreciation of property, plant and equipment of RMB90.7 million; and (ii) changes in working capital, which primarily comprised (a) decrease in trade and bills payables of RMB345.3 million; and (b) an increase in trade and bills receivables of RMB175.9 million; partially offset by (c) a decrease in inventories of RMB39.9 million.

In 2023, our net cash generated from operating activities was RMB1,468.8 million, which was primarily attributed to our profit before income tax of RMB1,495.3 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising (a) inventory impairment of RMB106.8 million; (b) an equity-settled share award expense of RMB75.5 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade and bills payables of RMB448.2 million; and (b) an increase in other payables and accruals of RMB127.7 million; which was partially offset by (c) an increase in trade and bills receivables of RMB263.0 million; and (d) an increase in inventories of RMB234.9 million.

Net Cash Used in or Generated from Investing Activities

In 2025, our net cash used in investing activities was RMB237.9 million, which was primarily attributed to (i) purchase of wealth management products of RMB2,486.6 million; (ii) investment in an associate of RMB428.0 million; and (iii) purchases of items of property, plant and equipment of RMB102.9 million, which was partially offset by (i) the withdrawal of wealth management products of RMB2,491.9 million; and (ii) proceeds from disposal of an associate of RMB100.0 million.

In 2024, our net cash used in investing activities was RMB1,265.3 million, which was primarily attributed to (i) the purchase of a time deposit of RMB1,280.0 million; and (ii) purchases of items of property, plant and equipment of RMB260.8 million, which was partially offset by redemption of time deposits of RMB307.1 million.

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In 2023, our net cash used in investing activities was RMB475.8 million, which was primarily attributed to (i) purchases of items of property, plant and equipment of RMB177.6 million; and (ii) the purchase of time deposits of RMB300.0 million which was partially offset by an increase in pledged deposits of RMB13.2 million.

Net Cash Used In Financing Activities

In 2025, our net cash used in financing activities was RMB[REDACTED] million, which was primarily attributed to (i) dividends paid to shareholders of RMB[REDACTED] million; and (ii) payment of [REDACTED] of RMB[REDACTED] million, which was partially offset by new bank borrowings of RMB[REDACTED] million.

In 2024, our net cash used in financing activities was RMB758.3 million, which was primarily attributed to (i) dividends paid of RMB359.0 million; (ii) repayment of borrowings of RMB200.0 million; and (iii) payments for repurchase of shares for A-share incentive scheme of RMB153.1 million.

In 2023, our net cash used in financing activities was RMB460.3 million, which was primarily attributed to (i) dividends paid of RMB397.5 million; and (ii) repayment of borrowings of RMB300.0 million, which was offset by new borrowings of RMB300.0 million.

Net Current Assets

	As at December 31,			As at March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets				
Inventories	797,215	661,410	634,718	678,169
Trade and bills receivables	351,935	517,955	72,642	319,664
Prepayments, other receivables and other assets	384,501	351,867	347,234	425,279
Amounts due from related parties	115	–	20,844	497
Financial assets at fair value through profit or loss (“FVTPL”)	–	–	–	323,743
Pledged deposits	16,530	11,815	7,282	7,611
Time deposits	335,288	1,327,742	1,119,456	1,125,919
Cash and cash equivalents	3,659,268	2,742,570	3,934,244	3,617,659
Total current assets	5,544,852	5,613,359	6,136,420	6,498,541
Current liabilities				
Trade and bills payables	983,094	638,115	743,513	822,918
Other payables and accruals	502,639	331,009	306,290	332,671
Interest-bearing bank loans	200,156	–	80,053	80,053
Lease liabilities	3,970	3,474	7,738	8,324
Tax payable	127,005	86,111	67,549	105,791
Contract liabilities	301,045	153,840	167,633	159,796
Amount due to a related party	2,322	–	1,340	–
Total current liabilities	2,120,231	1,212,549	1,374,116	1,509,553
Net current assets	3,424,621	4,400,810	4,762,304	4,988,988

Our net current assets increased from RMB4,762.3 million as of December 31, 2025 to RMB4,989.0 million as of March 31, 2026, primarily due to an increase of financial assets at fair value through profit or loss of RMB323.7 million primarily attributable to our purchase of low-risk cash wealth management products.

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Our net current assets increased from RMB4,400.8 million as of December 31, 2024 to RMB4,762.3 million as of December 31, 2025, primarily attributable to (i) an increase in cash and cash equivalents of RMB1,191.7 million, which was partially offset by (i) a decrease in time deposits of RMB208.3 million; and (ii) an increase in trade and bills payables of RMB105.4 million.

Our net current assets increased from RMB3,424.6 million as of December 31, 2023 to RMB4,400.8 million as of December 31, 2024, primarily attributable to (i) an increase in trade and bills receivables; and (ii) an increase in time deposits, as we flexibly adjusted fund allocation based on our liquidity position and operational needs. Such increase was partially offset by (i) a decrease in cash and cash equivalents resulting from net cash used in investing activities; and (ii) a decrease in inventories.

See “— Discussion of Certain Key Balance Sheet Items.”

INDEBTEDNESS

As of December 31, 2023, 2024 and 2025, our indebtedness consisted of interest-bearing bank loans, lease liabilities and convertible bonds. As of March 31, 2026, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB920.0 million, comprising interest-bearing bank loans, lease liabilities and convertible bonds. There is no material changes in the indebtedness from March 31, 2026 up to the Latest Practicable Date.

The table below sets out the details of our indebtedness as of the dates indicate:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current				
Interest-bearing bank loans . . .	200,156	—	80,053	80,053
Lease liabilities	3,970	3,474	7,738	8,324
Non-current				
Lease liabilities	9,970	10,955	19,710	18,207
Convertible bonds	753,120	780,011	804,392	813,437
Total	967,216	794,440	911,893	920,021

Except as disclosed above, during the Track Record Period and up to March 31, 2026, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, which were either guaranteed or unguaranteed, secured or unsecured.

Interest-bearing Bank Loans

We had interest-bearing bank loans of RMB200.2 million, nil, RMB80.1 million and RMB80.1 million as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively. The effective interest rate of our interest-bearing bank borrowings range was 2.80% per annum in 2023. Our interest-bearing bank borrowings decreased from RMB200.2 million in 2023 to nil in 2024 due to the repayment of bank loans. As of December 31, 2025, we had unutilized unconditional credit facility of RMB500 million.

Our Directors confirm that there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

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Lease Liabilities

Our total lease liabilities were primarily related to our lease of properties for office and R&D use.

The following table set forth our lease liabilities in absolute amounts as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Non-current portion.	9,970	10,955	19,710	18,207
Current portion.	3,970	3,474	7,738	8,324
Total	13,940	14,429	27,448	26,531

Our total lease liabilities remained relatively stable at RMB13.9 million as of December 31, 2023 and RMB14.4 million as of December 31, 2024, and further increased to RMB27.4 million as of December 31, 2025. Our total lease liabilities remained relatively stable at RMB26.5 million as of March 31, 2026.

Convertible Bonds

To satisfy funding needs of our Company for business operation, we conducted public issuance of convertible bonds which were listed on Shanghai Stock Exchange. See “History, Development and Corporate Structure — Major Shareholding Changes in Our Company — Issuance of Proya Convertible Bonds and redemption.” We had convertible bonds of RMB753.1 million, RMB780.0 million, RMB804.4 million and RMB813.4 million as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively, primarily due to the amortized cost measurement of the liability component we have adopted to account our convertible. See Note 30 of Appendix I to this document.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments consisted of purchase of property, plant and equipment. In 2023, 2024 and 2025, our capital commitments amounted to RMB164.7 million, RMB28.5 million and RMB2.5 million, respectively.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditure consisted of purchase of property, plant and equipment and intangible assets. In 2023, 2024 and 2025, our capital expenditures amounted to RMB179.7 million, RMB264.0 million and RMB140.5 million, respectively. We funded these expenditures primarily with cash generated from our operations and proceeds from convertible bonds.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

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MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 37 of Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s-length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We have adopted a risk management program focused on minimizing potential adverse effects of the unpredictability of financial markets as we are exposed to a variety of financial risks, including foreign currency risk, credit risk, liquidity risk, capital management and risks associated with fair value measurements. See Note 40 of Appendix I to this document.

Foreign Currency Risk

Our major businesses are in China and the majority of the transactions are conducted in RMB. Most of our assets and liabilities are denominated in RMB. We do not have material foreign currency risk during the Track Record Period.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group’s objective is to maintain a balance between continuity of funding and flexibility through equity and debt financing.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders’ value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDEND

Pursuant to our Articles of Association, in principle, we distribute cash dividends at least once a year. Our profits distributed in cash shall be no less than 10% of the distributable profits achieved in the year. The specific dividend ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general meeting.

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Future profit distributions may be paid in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends or other methods permitted by laws and regulations. We preferentially adopt the method of cash dividends. We shall adopt cash dividends for profit distribution provided that the conditions for cash distribution are satisfied. When distributing profits in the form of stock dividends, we will consider true and reasonable factors such as the growth of our Company.

In 2024, we declared final dividends of RMB359.0 million out of 2023 profits. In 2025, we declared final dividends of RMB468.9 million out of 2024 profits. See Note 12 of Appendix I to this document.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us including our cash and cash equivalents on hand, the available banking facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of December 31, 2023, 2024 and 2025, our Company had distributable reserves of RMB2,416.4 million, RMB3,240.6 million and RMB3,511.7 million, respectively, which were available for distribution to our equity shareholders.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information.”

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of the periods reported in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.