

APPENDIX I

ACCOUNTANTS’ REPORT

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PROYA COSMETICS CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of Proya Cosmetics Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-81, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-81 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

[Date]

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I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	5	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	6	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	6	(120,431)	(100,216)	(84,534)
Finance costs	8	(18,356)	(31,019)	(36,642)
Share of (losses)/profits of associates and a joint venture	18/19	(17,279)	(2,484)	43,719
Profit before tax	7	1,495,320	1,889,213	1,870,549
Income tax expense	11	(264,516)	(303,935)	(328,027)
Profit for the year		<u>1,230,804</u>	<u>1,585,278</u>	<u>1,542,522</u>
Attributable to:				
Owners of the parent		1,193,868	1,551,996	1,497,752
Non-controlling interests		<u>36,936</u>	<u>33,282</u>	<u>44,770</u>
		<u>1,230,804</u>	<u>1,585,278</u>	<u>1,542,522</u>
Earnings per share attributable to ordinary equity holders of the parent	13			
Basic (RMB)		3.01	3.93	3.81
Diluted (RMB)		<u>2.97</u>	<u>3.92</u>	<u>3.80</u>

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	1,230,804	1,585,278	1,542,522
Other comprehensive income			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	1,252	(116)	(381)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	1,252	(116)	(381)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value of equity investments designated at fair value through other comprehensive income	(38,742)	(36,403)	(2,490)
Income tax effect.	5,811	5,460	3,411
Share of other comprehensive loss of an associate	(20,250)	—	—
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(53,181)	(30,943)	921
Total comprehensive income for the year . . .	1,178,875	1,554,219	1,543,062
Attributable to:			
Owners of the parent	1,141,939	1,520,937	1,498,363
Non-controlling interests	36,936	33,282	44,699
	1,178,875	1,554,219	1,543,062

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	945,241	1,050,795	1,054,371
Investment properties	15	66,156	63,537	62,924
Prepayments, other receivables and other assets	24	16,975	11,258	63,679
Right-of-use assets	16	382,277	406,382	435,016
Intangible assets	17	37,849	38,772	65,866
Investment in a joint venture	19	3,060	3,263	3,261
Investments in associates	18	110,514	107,828	438,043
Equity investments designated at fair value through other comprehensive income	20	107,660	71,257	78,767
Deferred tax assets	21	108,494	163,733	149,070
Total non-current assets		1,778,226	1,916,825	2,350,997
CURRENT ASSETS				
Inventories	22	797,215	661,410	634,718
Trade and bills receivables	23	351,935	517,955	72,642
Prepayments, other receivables and other assets	24	384,501	351,867	347,234
Amounts due from related parties	37	115	—	20,844
Pledged deposits	25	16,530	11,815	7,282
Time deposits	25	335,288	1,327,742	1,119,456
Cash and cash equivalents	25	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	26	983,094	638,115	743,513
Other payables and accruals	27	502,639	331,009	306,290
Interest-bearing bank loans	29	200,156	—	80,053
Lease liabilities	16	3,970	3,474	7,738
Tax payable	11	127,005	86,111	67,549
Contract liabilities	28	301,045	153,840	167,633
Amount due to related parties	37	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
TOTAL ASSETS LESS CURRENT LIABILITIES				
		5,202,847	6,317,635	7,113,301

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		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Lease liabilities	16	9,970	10,955	19,710
Convertible bonds	30	753,120	780,011	804,392
Deferred income		6,383	15,261	22,680
Deferred tax liabilities	21	—	—	—
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
EQUITY				
Share capital	31	396,757	396,247	395,975
Treasury shares		(146,967)	(238,276)	(192,146)
Reserves	33	4,099,755	5,244,102	5,937,223
		4,349,545	5,402,073	6,141,052
Non-controlling interests		50,766	84,173	125,467
Total equity		4,400,311	5,486,246	6,266,519

Year ended 31 December 2023

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Year ended 31 December 2024

	Attributable to owners of the parent							
	Share capital	Treasury shares	Capital reserve*	Other equity instruments*	Statutory surplus reserve*	Other comprehensive income*	Retained profits*	Total
	RMB'000 (note 31)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	396,757	(146,967)	864,153	50,894	198,412	(53,848)	3,040,144	4,349,545
Profit for the year	–	–	–	–	–	–	1,551,996	1,551,996
Other comprehensive loss for the year:	–	–	–	–	–	(116)	–	(116)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(30,943)	–	(30,943)
Total comprehensive income for the year	–	–	–	–	–	(31,059)	1,551,996	1,520,937
The conversion of convertible bonds	–	–	39	(2)	–	–	–	37
Cancellation of repurchased shares	(510)	27,643	(27,133)	–	–	–	–	–
Unlocking of restricted A shares	–	32,768	–	–	–	–	–	32,768
Capital injections from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–
Equity-settled A share incentive scheme	–	–	9,543	–	–	–	–	9,543
Repurchase of ordinary shares	–	(153,062)	–	–	–	–	–	(153,062)
Distribution to shareholders	–	1,342	–	–	–	–	(359,037)	(357,695)
At 31 December 2024	396,247	(238,276)	846,602	50,892	198,412	(84,907)	4,233,103	5,402,073
							84,173	5,486,246

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Year ended 31 December 2025

	Attributable to owners of the parent									
	Share capital	Treasury shares	Capital reserve*	Other equity instruments*	Statutory surplus reserve*	Other comprehensive income*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	396,247	(238,276)	846,602	50,892	198,412	(84,907)	4,233,103	5,402,073	84,173	5,486,246
Profit for the year	-	-	-	-	-	-	1,497,752	1,497,752	44,770	1,542,522
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	921	-	921	-	921
Exchange differences related to foreign operations	-	-	-	-	-	(310)	-	(310)	(71)	(381)
Total comprehensive income for the year	-	-	-	-	-	611	1,497,752	1,498,363	44,699	1,543,062
The conversion of convertible bonds	-	-	9	(2)	-	-	-	7	-	7
Cancellation of repurchased shares	(272)	14,384	(14,112)	-	-	-	-	-	-	-
Unlocking of restricted A shares	-	30,256	-	-	-	-	-	30,256	-	30,256
Equity-settled share-based payments	-	-	(7,197)	-	-	-	-	(7,197)	-	(7,197)
Capital injections from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	287	287
Distribution to shareholders	-	1,490	-	-	-	-	(783,940)	(782,450)	-	(782,450)
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(3,692)	(3,692)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	17,213	(17,213)	-	-	-
At 31 December 2025	395,975	(192,146)	825,302	50,890	198,412	(67,083)	4,929,702	6,141,052	125,467	6,266,519

* These reserve accounts comprise the consolidated reserves of RMB4,099,755,000, RMB5,244,102,000 and RMB5,937,223,000 in the consolidated statements of financial position as at the end of each of the Relevant Periods.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		1,495,320	1,889,213	1,870,549
Adjustments for:				
Finance costs	8	18,356	31,019	36,642
Investment income on financial assets of wealth management products		—	—	(5,332)
Share of profits and losses of a joint venture and associates		17,279	2,484	(43,719)
Gains on disposal of items of property, plant and equipment		704	1,116	1,093
Losses on disposal of items of other intangible assets		—	2	—
Depreciation of property, plant and equipment	14	70,062	90,736	103,221
Depreciation of investment properties	15	2,499	2,619	613
Depreciation of right-of-use assets	16(a)	16,413	17,823	19,210
Amortisation of intangible assets	17	7,269	8,235	10,524
Impairment of property, plant and equipment	6	1,338	—	—
Impairment of inventory		106,758	95,860	74,162
Impairment/(reversal of impairment) of trade and other receivables	7	10,397	5,122	(19,675)
Losses on disposal of subsidiaries and an associate	6	113	—	5,024
Impairment of an investment in an associate	6	—	—	2,419
Equity-settled A share incentive scheme		75,515	9,543	(7,197)
		<u>1,822,023</u>	<u>2,153,772</u>	<u>2,047,534</u>
Decrease/(increase) in inventories		(234,922)	39,945	(47,470)
Decrease/(increase) in trade and bills receivables		(262,981)	(175,909)	467,379
Decrease/(increase) in prepayments, other receivables and other assets . .		(200,057)	23,706	(45,066)
Decrease/(increase) in pledged deposits		(10,860)	4,715	4,533
Increase in amount due from related parties		—	—	(19,504)
Decrease in other non-current liabilities		(26,220)	(7,901)	(25,162)
Increase in amount due to related parties		1,957	—	—
Increase/(decrease) in trade and bills payables		448,152	(345,301)	105,398
Increase/(decrease) in contract liabilities		125,978	(147,205)	13,793
Increase/(decrease) in deferred income		(16)	8,877	7,419
Increase/(decrease) in other payables and accruals		127,707	(53,090)	15,846
Cash generated from operations		<u>1,790,761</u>	<u>1,501,609</u>	<u>2,524,700</u>
Income tax paid		<u>(321,966)</u>	<u>(394,609)</u>	<u>(331,553)</u>
Net cash flows generated from operating activities		1,468,795	1,107,000	2,193,147

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		Year ended 31 December		
	Note	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(177,569)	(260,815)	(102,864)
Purchase of land use right		–	(35,720)	(28,840)
Proceeds from disposal of items of property, plant and equipment		286	7,376	3,460
Purchase of other intangible assets		(2,090)	(3,202)	(37,618)
Proceeds from disposal of an associate		5,500	–	99,990
Proceeds from disposal of subsidiaries		3,018	–	7,850
Dividend received from an associate		467	–	16,000
Placement of pledged deposits		13,193	–	–
Purchase of time deposits		(300,000)	(1,280,000)	–
Withdrawal of time deposits		–	307,072	236,785
Purchase of wealth management products		–	–	(2,486,574)
Withdrawal of wealth management products		–	–	2,491,906
Acquisition of an equity investment designated at fair value through other comprehensive income		–	–	(10,000)
Investment in an associate		(18,636)	–	(427,976)
Net cash flows used in investing activities		(475,831)	(1,265,289)	(237,881)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank borrowings		300,000	–	80,000
Repayment of bank borrowings		(300,000)	(200,000)	–
Interest paid on convertible bonds		(3,754)	(7,508)	(11,261)
Interest paid on bank borrowings		(5,883)	(4,193)	(360)
Payments for repurchase of restricted A shares		(9,493)	(27,643)	(14,385)
Payments for repurchase of shares for A share incentive scheme		(39,082)	(153,062)	–
[REDACTED].		[REDACTED]	[REDACTED]	[REDACTED]
Payment of lease liabilities	16(b)	(3,607)	(6,977)	(6,515)

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	<i>Note</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Capital injections from non-controlling shareholders of subsidiaries		–	125	287
Payment for liquidation of non-controlling interests		(1,004)	–	–
Payments for additional interests in certain subsidiaries		–	–	–
Dividends paid to shareholders		(397,456)	(359,037)	(783,940)
Dividends paid to non-controlling interests		–	–	(3,692)
Net cash flows used in financing activities		[REDACTED]	[REDACTED]	[REDACTED]
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		532,685	(916,584)	1,191,984
Cash and cash equivalents at beginning of year		3,125,333	3,659,268	2,742,570
Effect of foreign exchange rate changes, net		1,250	(114)	(310)
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,659,268	2,742,570	3,934,244
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows		3,659,268	2,742,570	3,934,244

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	897,371	980,424	923,551
Investment properties	15	95,815	92,410	89,005
Prepayments, other receivables and other assets	24	16,975	11,258	63,679
Amounts due from related parties	37	223	223	23
Right-of-use assets	16	381,812	366,574	360,602
Intangible assets	17	4,245	9,181	40,265
Investment in a joint venture	19	3,060	3,263	3,261
Investments in associates	18	110,514	107,828	3,462
Investments in subsidiaries	1	305,174	298,612	744,111
Equity investments designated at fair value through other comprehensive income	20	71,838	35,435	42,945
Deferred tax assets	21	8,257	2,371	631
Total non-current assets		1,895,284	1,907,579	2,271,535
CURRENT ASSETS				
Inventories	22	516,043	308,611	295,064
Trade and bills receivables	23	5,144	466	2,363
Prepayments, other receivables and other assets	24	77,220	85,538	151,469
Amounts due from related parties	37	694,786	942,440	680,486
Pledged deposits	25	9,050	3,667	3,686
Time deposits	25	335,288	1,035,056	872,097
Cash and cash equivalents	25	2,472,028	1,622,510	2,098,944
Total current assets		4,109,559	3,998,288	4,104,109
CURRENT LIABILITIES				
Trade and bills payables	26	562,128	306,256	419,449
Other payables and accruals	27	394,121	214,883	176,653
Interest-bearing bank loans	29	200,156	—	80,053
Lease liabilities	16	3,489	2,426	4,253
Tax payable	11	69,165	50,509	15,390
Amount due to related parties	37	226,463	65,234	68,759
Total current liabilities		1,455,522	639,308	764,557
NET CURRENT ASSETS		2,654,037	3,358,980	3,339,552
TOTAL ASSETS LESS CURRENT LIABILITIES				
		4,549,321	5,266,559	5,611,087

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		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Lease liabilities	16	9,970	7,544	12,524
Convertible bonds	30	753,120	780,011	804,392
Deferred income		6,383	15,261	16,680
Deferred tax liabilities	21	—	—	—
Total non-current liabilities		769,473	802,816	833,596
Net assets		3,779,848	4,463,743	4,777,491
EQUITY				
Share capital	31	396,757	396,247	395,975
Treasury shares		(146,967)	(238,276)	(192,146)
Reserves	33	3,530,058	4,305,772	4,573,662
Total equity		3,779,848	4,463,743	4,777,491

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Proya Cosmetics Co., Ltd. (the “Company”) is a joint stock company with limited liability established in Hangzhou, Zhejiang, People’s Republic of China (the “PRC”) on 24 May 2006, and listed on the Shanghai Stock Exchange (stock code: 603605) on 15 November 2017. The registered office address of the Company is No. 588 Xixi Road, Hangzhou, Zhejiang, the PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the research and development, manufacturing and sale of cosmetics.

As at the date of this report, the particulars of the Company’s principal subsidiaries are set out below:

Company name	Place and date of registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Proya Trading Co., Ltd.(“杭州珀萊雅貿易有限公司”) (note (a))*	Chinese mainland 14 June 2011	RMB50,000,000	100.00%	–	Sale of cosmetics
Zhejiang Beauty Valley E-commerce Co., Ltd. (“浙江美麗谷電子商務有限公司”) (note (a))*	Chinese mainland 16 November 2012	RMB10,000,000	100.00%	–	Sale of cosmetics
Hapsode (Hangzhou) Cosmetics Co., Ltd.(“悦芙媞(杭州)化妝品有限公司”) (note (a))*	Chinese mainland 9 November 2015	RMB50,000,000	100.00%	–	Sale of cosmetics
Mijingsiyu (Hangzhou) Cosmetics Co., Ltd.(“秘鏡思語(杭州)化妝品有限公司”) (note(b))*	Chinese mainland 8 December 2016	RMB18,000,000	100.00%	–	Sale of cosmetics
Huzhou Chuangdai E-commerce Co., Ltd. (湖州創代電子商務有限公司) (note (a))*	Chinese mainland 16 December 2016	RMB5,000,000	100.00%	–	Sale of cosmetics
Ningbo TIMAGE Cosmetics Co., Ltd. (“寧波彩棠化妝品有限公司”) (note (a))*	Chinese mainland 09 July 2019	RMB1,000,000	71.36%	–	Sale of cosmetics
Proya (Zhejiang) Cosmetics Co., Ltd. (“珀萊雅(浙江)化妝品有限公司”) (note (c))*	Chinese mainland 30 May 2022	RMB10,000,000	100.00%	–	Manufacture and sales of cosmetics

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2023 and 2024 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Pan-China Certified Public Accountants LLP (“天健會計師事務所(特殊普通合夥)”), certified public accountants registered in the PRC.
- (b) The statutory financial statements of this entity for the years ended 31 December 2024 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Pan-China Certified Public Accountants LLP (“天健會計師事務所(特殊普通合夥)”), certified public accountants registered in the PRC. No audited financial statements have been prepared for the year ended 31 December 2023.

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- (c) No audited financial statements have been prepared for these entities for the year ended 31 December 2023 and 2024 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of establishment.
- * The English names of these companies registered in the Chinese mainland represent the best effort made by the directors of the Company (the “Directors”) to translate the Chinese names as these companies have not been registered with any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group.

The Company

The carrying amounts of the Company’s investments in subsidiaries are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Investments in subsidiaries	347,674	341,632	788,131
Provision for impairment	(42,500)	(43,020)	(44,020)
Total	305,174	298,612	744,111

Impairment losses were fully provided for two wholly-owned subsidiaries, which almost have no business during the Relevant Periods.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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The financial statements of the subsidiaries are prepared for the same Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28.	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
<i>Amendments to IFRS 9 and IFRS 7.</i>	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ²
Amendments to IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ³
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ²

1 No mandatory effective date yet determined but available for adoption

2 Effective for annual/reporting periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below:

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB.

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However, the amendments are available for adoption now.

IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. There are also consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

There is no impact to the financial position and performance of the Group as the result of the adoption of IFRS 18, except that the presentation of statement of profit or loss will be amended and additional disclosure will be included in the financial statements.

Except for IFRS18, the directors of the Company anticipate that the application of these new and amended IFRS Accounting Standards will have no material impact on the Group’s consolidated financial performance and financial position in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investments in associates and a joint venture

An associate is an entity in which the Group has a long-term interest and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

The Group’s share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or a joint venture are eliminated to the extent of the Group’s investment in the associates or a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group’s investments in associates or a joint venture.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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Fair value measurement

The Group measures its bills receivables and equity investments at fair value through other comprehensive income (the “FVTOCI”) at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group;
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i), (a)(iii) and (a)(iv) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Over the shorter of the lease terms and
Leasehold improvements	10 years
Vehicles	5 years
Furniture, fixtures and equipment	3 to 10 years
Plant and machinery	5 to 10 years
Buildings	10 or 30 years

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Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs.

The Group measures its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives in 10 to 30 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of retirement or disposal.

Transfers among investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Customer relationships	3 years
Patents	5 years
Non-patent rights	5 years
Trademarks	10 years
Software	3 to 10 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Office premises and plant	3 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental

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income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

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Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial

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instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has not increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables, interest-bearing bank borrowings, amount due to related parties and convertible bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders’ equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

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Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of goods

The Group primarily sells its products to customers through online sales channels, such as online direct sales and online distribution, and offline sales channels, such as offline distribution. Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally upon the acceptance confirmation by the customer. For consignment sales, the revenue is recognised upon the acceptance confirmation of goods by end-consumer.

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised if it is material.

Membership loyalty program

The Group operated a membership loyalty programme, which allowed customers to accumulate loyalty points when they purchase products. The loyalty points could be redeemed for discounts on products in a limited period. Under IFRS 15, the membership loyalty programme gives rise to a separate performance obligation because it provides a material right to the customer and the Group allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders’ right to receive the payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract. (i.e., transfers control of the related goods or services to the customer).

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Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates certain incentive shares schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of share award refers to the fair value of the underlying ordinary shares of the Company on the respective dates of grant, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the unlocking date reflects the extent to which the unlocking period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-unlocking conditions. Non-unlocking conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-unlocking condition, the transactions are treated as unlocking irrespective of whether the market or non-unlocking condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had unlocked on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Company and the Group’s subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. The Company and the subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The financial information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

There is no significant effect on the amounts recognised in the Group’s financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group’s accounting policies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value of inventories

Management estimates net realisable value primarily based on estimated sales prices, less estimated costs to be incurred to completion and disposal, and less estimated selling expenses. Management also considers the ageing analysis of inventories, historical experience and current market conditions, when estimating net realizable value. Then provision will be made when net realisable value is lower than cost, at the end of each reporting period.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of cosmetic products.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

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Geographical information

(a) Revenue from external customers

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese mainland	8,821,415	10,637,777	10,299,855
Other countries/regions*	83,159	140,635	297,574
Total	8,904,574	10,778,412	10,597,429

* Other countries/regions mainly represented for Hong Kong, Japan and etc..

- (b) Over 95% of the Group’s non-current assets, which is based on the locations of the assets and excludes financial instruments and deferred tax assets, is located in the Chinese mainland.

Information about major customers

Revenue of approximately RMB681,997,000, RMB1,106,380,000 and RMB801,153,000 were derived from sales to a single customer during the year ended 31 December 2023, 2024 and 2025 respectively, accounting for approximately 7.7%, 10.3% and 7.6% of the total revenue for the respective periods.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
– Cosmetic goods	8,890,228	10,765,600	10,585,355
Revenue from other sources			
– Rental income and others	14,346	12,812	12,074
Total	8,904,574	10,778,412	10,597,429

Revenue from contracts with customers

(a) Disaggregated revenue information

Types of goods

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sales of goods	8,890,228	10,765,600	10,585,355

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Timing of revenue recognition

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At a point in time	8,890,228	10,765,600	10,585,355

The following table shows the amounts of revenue recognised in the Relevant Periods, that were included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting year:			
Sale of cosmetic goods	174,419	301,015	153,711

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sale of goods

The Group primarily sells its products to customers through online channels, such as online direct sales and online distribution, and offline channels, such as offline distribution.

Online Channels

For direct sales, the performance obligation is satisfied upon the acceptance confirmation by customers. Payment is mainly by bank transfer simultaneously. For distribution sales, the performance obligation is satisfied upon the acceptance confirmation by customers and payment is settled mainly within credit term of 90 days, or prior to product delivery. For consignment sales, the performance obligation is satisfied upon the acceptance of goods by end-customer and generally require payment within 30 days.

Offline Channels

The Group primarily sells its products to customers through offline sales channels such as local distributors. Payment in advance is usually required.

The Group expects the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of the end of each of the Relevant Periods will be recognised within one year from the end of the respective periods. Therefore, the expedient allowed by IFRS 15.121 is applied.

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6. OTHER INCOME AND GAINS AND OTHER EXPENSES

	Note	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Other income				
Government grants	(a)	44,044	54,855	55,591
Interest income from bank deposits		70,059	54,543	29,960
Interest income from time deposits		5,288	17,527	28,352
Others		983	30,948	14,235
Total other income		120,374	157,873	128,138
Gains				
Loss on disposal of items of property, plant and equipment		(704)	(1,116)	(1,093)
Loss on disposal of items of other intangible assets		–	(2)	–
Foreign exchange gains/(losses), net. . . .		2,801	(4,402)	7,576
Losses 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 gains		6,150	(2,975)	8,711
Total other income and gains		126,524	154,898	136,849
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

Note:

- (a) The government grants related to income are rewards for the Group’s contribution to the local economic growth. These grants related to income are recognised in the statement of profit or loss upon receipt. There are no unfulfilled conditions or contingencies relating to these grants.

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7. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Cost of inventories sold*		2,666,865	3,077,385	2,825,598
Depreciation of property, plant and equipment	14	70,062	90,736	103,221
Depreciation of investment property	15	2,499	2,619	613
Depreciation of right-of-use assets	16(a)	16,413	17,823	19,210
Amortisation of intangible assets	17	7,269	8,235	10,524
Research and development costs		173,570	210,386	216,843
Employee benefit expense (excluding directors’ and chief executive’s remuneration as set out in note 9):				
Salaries, bonuses, allowances and benefits in kind		643,258	698,272	703,723
Pension scheme contributions, social welfare and other welfare		62,229	76,221	70,855
Share-based compensation expense		75,515	6,849	(8,121)
Foreign exchange gains/(losses), net	6	(2,801)	4,402	(7,576)
Branding and marketing expense		3,533,952	4,601,875	4,665,780
Expense relating to short-term leases	16	9,155	4,958	5,719
Government grants	6	(44,044)	(54,855)	(55,591)
Bank interest income	6	(70,059)	(54,543)	(29,960)
Provision for impairment of inventories	6	106,758	95,860	74,162
Provision for impairment of investment in an associate	6	–	–	2,419
Provision for impairment of property, plant and equipment	6	1,338	–	–
Impairment/(reversal of impairment) of trade and other receivables		10,397	5,122	(19,675)
Share of losses/(profits) of associates and a joint venture		17,279	2,484	(43,719)
Interest expense	8	18,356	31,019	36,642
Loss on disposal of items of property, plant, and equipment	6	704	1,116	1,093
Loss on disposal of subsidiaries and an associate	6	113	–	5,024
Investment income on wealth management product	6	–	–	(5,332)
Donations	6	8,865	2,589	5,817

* Cost of inventories sold include costs relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and employee benefit expense, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

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8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	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 capitalised	(15,892)	(6,975)	(39)
Total	18,356	31,019	36,642

9. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Details of the emoluments paid or payable to the directors and the chief executive of the Company for the services provided to the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees	300	300	341
Other emoluments:			
Salaries, bonuses, allowances and benefits			
in kind	7,437	9,970	7,887
Pension scheme contributions, social welfare and			
other welfare	309	361	144
Share-based compensation expense	–	2,694	924
Total	8,046	13,325	9,296

During the Relevant Periods, certain shares under restricted A share incentive scheme were granted to an executive director, in respect of his service to the Group, further details of which are included in the disclosures in note 32 to the Historical Financial Information.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Mr. Ma Dongming	150	150	150
Mr. Ge Weijun	150	150	150
Ms. Fan Mingxi	–	–	41
Total	300	300	341

Mr. Ma Dongming was appointed as an independent non-executive director on 13 May 2021.

Mr. Ge Weijun was appointed as an independent non-executive director on 9 September 2021.

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Ms. Fan Mingxi was appointed as an independent non-executive director on 12 September 2025.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors, non-executive directors and the chief executive

		Year ended 31 December 2023			
	Notes	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Hou Juncheng	(i)	3,316	120	–	3,436
Mr. Fang Yuyou	(ii)	3,294	120	–	3,414
Mr. Hou Yameng	(iii)	827	69	–	896
Total		7,437	309	–	7,746

		Year ended 31 December 2024			
	Notes	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Hou Juncheng	(i)	3,152	132	–	3,284
Mr. Fang Yuyou	(ii)	2,538	97	–	2,635
Mr. Hou Yameng	(iii)	1,266	132	–	1,398
Mr. Jin Yanhua	(iv)	3,014	–	2,694	5,708
Total		9,970	361	2,694	13,025

		Year ended 31 December 2025			
	Notes	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Hou Juncheng	(i)	2,609	–	–	2,609
Mr. Hou Yameng	(iii)	2,623	139	–	2,762
Mr. Jin Yanhua	(iv)	2,585	–	924	3,509
Mr. Wang Shunguo	(v)	70	5	–	75
Total		7,887	144	924	8,955

Notes:

- (i) Mr. Hou Juncheng was appointed as the chairman of the board of directors in July 2015.
- (ii) Mr. Fang Yuyou was appointed as an executive director in July 2015 and resigned in September 2024.
- (iii) Mr. Hou Yameng was appointed as an executive director in September 2021.
- (iv) Mr. Jin Yanhua was appointed as an executive director in September 2024.

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(v) Mr. Wang Shunguo was appointed as an executive director in September 2025.

The Group did not appoint a chief executive, and the duty of chief executive was performed by the general manager. Mr. Fang Yuyou (方玉友), a former Director and the former general manager who resigned in September 2024 and Mr. Hou Yameng has been appointed as the general manager since September 2024.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023, 2024 and 2025 included nil, one and one directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remaining five, four and four highest paid employees who were not directors of the Group during the years ended 31 December 2023, 2024 and 2025, respectively, are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	14,384	17,800	14,448
Pension scheme contributions, social welfare and other welfare	480	364	177
Share-based compensation expense	23,127	8,728	881
Total	37,991	26,892	15,507

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December		
	2023	2024	2025
HK\$3,000,001 to HK\$3,500,000	–	–	1
HK\$3,500,001 to HK\$4,000,000	1	–	–
HK\$4,000,001 to HK\$4,500,000	–	–	1
HK\$4,500,001 to HK\$5,000,000	–	1	2
Above HK\$5,000,001	4	3	–
Total	5	4	4

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Chinese mainland

The provision for corporate income tax in Chinese mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Enterprise Income Tax Law, which was approved and became effective on 1 January 2008, except for the Company and certain of the Group’s PRC subsidiaries which is granted tax concession and is taxed at preferential tax rates.

The Company obtained its qualification as a High and New Technology Enterprise in 2020 and 2023. The Company was subject to a reduced preferential tax rate of 15% for the years ended December 31, 2023, 2024 and 2025. This qualification is subject to review by the relevant tax authority in the PRC every three years.

Certain of the Group’s PRC subsidiaries are qualified as small and micro enterprises. During the year of 2023, 2024 and 2025, small and micro enterprises shall be subject to the policy, under which they shall have their taxable income calculated at a reduced rate of 25% and their income tax shall be levied at a tax rate of 20%.

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Hong Kong

The subsidiary incorporated in Hong Kong is subject to income tax under the two-tiered profits tax rates regime on the estimated assessable profits arising in Hong Kong during the Relevant Periods. The first HKD2.0 million of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Japan

The subsidiary incorporated in Japan, under the Law of Taxation in Japan, is subject to income tax at a rate of 30% on the assessable profits arising in Japan. No provision for income tax has been made as the subsidiary had no assessable profits arising in Japan during the Relevant Periods.

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current income tax when incurred. Pillar Two legislation has been enacted or substantially enacted and in effect as at 31 December 2025 in certain jurisdictions in which the Group operates.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the fiscal year of 2024 and 2025. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group does not expect a material exposure to Pillar Two income taxes.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	337,809	353,714	312,990
Deferred income tax	(73,293)	(49,779)	15,037
Total tax charge for the year	264,516	303,935	328,027

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before income tax	1,495,320	1,889,213	1,870,549
Tax at the income tax rate of 25%	373,830	472,303	467,637
Effect of different tax rates of the Company and some subsidiaries	(114,497)	(142,554)	(136,949)
Expenses not deductible for tax	11,462	8,117	5,314
Tax losses utilised from previous periods	(13,652)	(21,176)	(5,278)
Tax loss and temporary differences not recognised	27,432	8,406	11,693
Adjustments in respect of current income tax of previous periods	2,053	6,916	14,813
Additional deductible allowance for research and development expenses	(22,112)	(28,077)	(29,203)
Total tax charge for the year	264,516	303,935	328,027

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The amounts of tax payable are as follows:

The Group

	Note	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Corporate income tax payable		127,005	86,111	67,549
Corporate income tax prepaid	24	268	10,371	3,838

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Corporate income tax payable	69,165	50,509	15,390

12. DIVIDENDS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Interim dividend	(a)/(b)	150,793	–	315,036
Final dividend	(c)/(d)	359,037	468,904	472,518

Notes:

- (a) The interim dividends of RMB0.38 (inclusive of tax) per ordinary share to the Company’s shareholders in respect of the six months ended 30 June 2023 was approved by the extraordinary general meeting of the Company and paid in full in 2023.
- (b) In August 2025, the Board proposed the interim dividend of RMB 0.80 (inclusive of tax) per ordinary share to the Company’s shareholders, which was approved by the extraordinary general meeting of Shareholders of the Company on 11 September 2025 and paid in full.
- (c) The final dividends of RMB0.91 and RMB1.19 (inclusive of tax) per ordinary share to the Company’s shareholders in respect of the years ended 31 December 2023 and 2024 were approved by the annual general meeting of the Company and paid in full.
- (d) The final dividends of RMB1.20 (inclusive of tax) per ordinary share to the Company’s shareholders in respect of the years ended 31 December 2025 were approved by the Board of Directors of the Company. This proposed dividend is subject to the approval of the general meeting of shareholders.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the restricted A share incentive scheme, and the weighted average numbers of ordinary shares outstanding (excluding treasury shares and restricted A shares) during the Relevant Periods. When calculating the weighted average numbers of ordinary shares for the year ended 31 December 2023, the additional 113,408,136 shares, issued through the conversion of capital reserve in May 2023 were deemed to have been issued as at 1 January 2023.

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The calculation of the diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent. The weighted average numbers of ordinary shares used in the calculation are the numbers of ordinary shares outstanding during the Relevant Periods, as used in the basic earnings per share calculation, and the weighted average numbers of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares arising from restricted A share incentive scheme and convertible bonds into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Earnings			
Profit attributable to owners of the parent	1,193,868	1,551,996	1,497,752
Less: Cash dividends distributed to the Restricted A Share Incentive Scheme	(2,446)	(767)	–
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,191,422	1,551,229	1,497,752
Cash dividends distributed to the Restricted A Share Incentive Scheme	2,446	767	–
Interest expense on liability component of convertible bonds	10,314	22,235	30,268
Adjusted profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	1,204,182	1,574,231	1,528,020
	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Shares			
Weighted average number of ordinary shares used in the basic earnings per share calculation	394,193,317	392,768,749	393,360,068
Effect of dilutive potential ordinary shares: convertible bonds and restricted A shares	7,454,573	8,388,812	8,456,442
Weighted average number of ordinary shares for the purposes of diluted earnings per share.	401,647,890	401,157,561	401,816,510

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Furniture, fixtures and equipment	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost.	558,406	80,477	249,649	20,585	–	207,378	1,116,495
Accumulated depreciation and impairment	(127,550)	(41,778)	(133,987)	(16,315)	–	–	(319,630)
Net carrying amount.	430,856	38,699	115,662	4,270	–	207,378	796,865

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	Buildings	Furniture, fixtures and equipment	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023, net of accumulated depreciation and impairment	430,856	38,699	115,662	4,270	–	207,378	796,865
Additions	8,648	9,614	11,848	6,037	47,675	143,206	227,028
Disposals	–	(3,739)	(625)	(87)	–	–	(4,451)
Depreciation provided during the year.	(30,667)	(10,992)	(24,582)	(3,356)	(465)	–	(70,062)
Transfers	202,410	1,781	91,554	–	–	(298,546)	(2,801)
Impairment	–	–	(1,338)	–	–	–	(1,338)
At 31 December 2023, net of accumulated depreciation and impairment	611,247	35,363	192,519	6,864	47,210	52,038	945,241
At 31 December 2023: Cost.	759,882	87,186	341,968	26,111	47,675	52,038	1,314,860
Accumulated depreciation and impairment	(148,635)	(51,823)	(149,449)	(19,247)	(465)	–	(369,619)
Net carrying amount.	611,247	35,363	192,519	6,864	47,210	52,038	945,241
	Buildings	Furniture, fixtures and equipment	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024: Cost.	759,882	87,186	341,968	26,111	47,675	52,038	1,314,860
Accumulated depreciation and impairment	(148,635)	(51,823)	(149,449)	(19,247)	(465)	–	(369,619)
Net carrying amount.	611,247	35,363	192,519	6,864	47,210	52,038	945,241
At 1 January 2024, net of accumulated depreciation and impairment	611,247	35,363	192,519	6,864	47,210	52,038	945,241
Additions	21,101	12,799	2,453	11,940	310	161,948	210,551
Disposals	(17)	(5,704)	(853)	(1,728)	–	–	(8,302)
Depreciation provided during the year.	(42,951)	(9,900)	(28,149)	(4,123)	(5,613)	–	(90,736)
Transfers	26,613	–	106,830	–	–	(139,402)	(5,959)
At 31 December 2024, net of accumulated depreciation and impairment	615,993	32,558	272,800	12,953	41,907	74,584	1,050,795
At 31 December 2024: Cost.	788,985	89,821	440,749	35,680	47,985	74,584	1,477,804
Accumulated depreciation and impairment	(172,992)	(57,263)	(167,949)	(22,727)	(6,078)	–	(427,009)
Net carrying amount.	615,993	32,558	272,800	12,953	41,907	74,584	1,050,795

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	Buildings	Furniture, fixtures and equipment	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025:							
Cost.	788,985	89,821	440,749	35,680	47,985	74,584	1,477,804
Accumulated depreciation and impairment	(172,992)	(57,263)	(167,949)	(22,727)	(6,078)	–	(427,009)
Net carrying amount.	615,993	32,558	272,800	12,953	41,907	74,584	1,050,795
At 1 January 2025, net of accumulated depreciation and impairment	615,993	32,558	272,800	12,953	41,907	74,584	1,050,795
Additions	6,786	4,107	5,362	1,690	–	93,526	111,471
Disposals	–	(769)	(1,784)	(1,995)	–	–	(4,548)
Depreciation provided during the year.	(49,037)	(9,714)	(35,296)	(3,609)	(5,565)	–	(103,221)
Transfers	19,570	4,474	44,372	–	–	(68,416)	–
Disposal of a subsidiary	–	(32)	(64)	(30)	–	–	(126)
At 31 December 2025, net of accumulated depreciation and impairment	593,312	30,624	285,390	9,009	36,342	99,694	1,054,371
At 31 December 2025:							
Cost.	793,042	93,181	486,662	30,183	47,985	99,694	1,550,747
Accumulated depreciation and impairment	(199,730)	(62,557)	(201,272)	(21,174)	(11,643)	–	(496,376)
Net carrying amount.	593,312	30,624	285,390	9,009	36,342	99,694	1,054,371

As at 31 December 2025, the Group had not obtained the certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB80,792,000. The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group’s financial position as at 31 December 2025.

The Company

	Buildings	Furniture, fixtures and equipment	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost.	220,184	64,276	247,757	11,252	–	206,757	750,226
Accumulated depreciation and impairment	(74,933)	(35,893)	(133,609)	(7,562)	–	–	(251,997)
Net carrying amount.	145,251	28,383	114,148	3,690	–	206,757	498,229
At 1 January 2023, net of accumulated depreciation and impairment	145,251	28,383	114,148	3,690	–	206,757	498,229
Additions	7,609	7,752	11,511	2,043	47,675	140,235	216,825
Disposals	–	–	(2,304)	(20)	–	–	(2,324)
Depreciation provided during the year.	(16,360)	(9,529)	(24,417)	(1,511)	(465)	–	(52,282)

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	Buildings	Furniture, fixtures and equipment	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Transfers	202,327	1,781	91,043	–	–	(295,151)	–
Transfer from investment properties	238,261	–	–	–	–	–	238,261
Impairment	–	–	(1,338)	–	–	–	(1,338)
At 31 December 2023, net of accumulated depreciation and impairment	577,088	28,387	188,643	4,202	47,210	51,841	897,371
At 31 December 2023: Cost.	709,102	73,809	330,915	12,903	47,675	51,841	1,226,245
Accumulated depreciation and impairment	(132,014)	(45,422)	(142,272)	(8,701)	(465)	–	(328,874)
Net carrying amount.	577,088	28,387	188,643	4,202	47,210	51,841	897,371
	Buildings	Furniture, fixtures and equipment	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024: Cost.	709,102	73,809	330,915	12,903	47,675	51,841	1,226,245
Accumulated depreciation and impairment	(132,014)	(45,422)	(142,272)	(8,701)	(465)	–	(328,874)
Net carrying amount.	577,088	28,387	188,643	4,202	47,210	51,841	897,371
At 1 January 2024, net of accumulated depreciation and impairment	577,088	28,387	188,643	4,202	47,210	51,841	897,371
Additions	18,134	11,388	1,523	6,647	310	130,494	168,496
Disposals	(17)	(214)	(853)	(957)	–	–	(2,041)
Depreciation provided during the year.	(39,721)	(8,451)	(27,843)	(1,774)	(5,613)	–	(83,402)
Transfers	26,613	–	106,830	–	–	(133,443)	–
At 31 December 2024, net of accumulated depreciation and impairment	582,097	31,110	268,300	8,118	41,907	48,892	980,424
At 31 December 2024: Cost.	737,852	82,559	428,765	18,587	47,985	48,892	1,364,640
Accumulated depreciation and impairment	(155,755)	(51,449)	(160,465)	(10,469)	(6,078)	–	(384,216)
Net carrying amount.	582,097	31,110	268,300	8,118	41,907	48,892	980,424

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	Buildings	Furniture, fixtures and equipment	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025:							
Cost.	737,852	82,559	428,765	18,587	47,985	48,892	1,364,640
Accumulated depreciation and impairment	(155,755)	(51,449)	(160,465)	(10,469)	(6,078)	–	(384,216)
Net carrying amount. . . .	<u>582,097</u>	<u>31,110</u>	<u>268,300</u>	<u>8,118</u>	<u>41,907</u>	<u>48,892</u>	<u>980,424</u>
At 1 January 2025, net of accumulated depreciation and impairment	582,097	31,110	268,300	8,118	41,907	48,892	980,424
Additions	5,233	2,620	3,793	564	–	28,341	40,551
Disposals	–	(156)	(1,779)	(94)	–	–	(2,029)
Depreciation provided during the year.	(44,253)	(8,941)	(34,662)	(1,974)	(5,565)	–	(95,395)
Transfers	19,570	4,474	43,987	–	–	(68,031)	–
At 31 December 2025, net of accumulated depreciation and impairment	<u>562,647</u>	<u>29,107</u>	<u>279,639</u>	<u>6,614</u>	<u>36,342</u>	<u>9,202</u>	<u>923,551</u>
At 31 December 2025:							
Cost.	742,348	86,756	472,820	17,263	47,985	9,202	1,376,374
Accumulated depreciation and impairment	(179,701)	(57,649)	(193,181)	(10,649)	(11,643)	–	(452,823)
Net carrying amount. . . .	<u>562,647</u>	<u>29,107</u>	<u>279,639</u>	<u>6,614</u>	<u>36,342</u>	<u>9,202</u>	<u>923,551</u>

15. INVESTMENT PROPERTIES

The Group

	Buildings
	RMB'000
31 December 2023	
As at 1 January 2023	68,655
Depreciation charge	(2,499)
As at 31 December 2023.	<u>66,156</u>
	Buildings
	RMB'000
31 December 2024	
As at 1 January 2024	66,156
Depreciation charge	(2,619)
As at 31 December 2024.	<u>63,537</u>

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	Buildings
	<i>RMB'000</i>
31 December 2025	
As at 1 January 2025	63,537
Depreciation charge	(613)
As at 31 December 2025.	<u>62,924</u>

The Company

	Buildings
	<i>RMB'000</i>
31 December 2023	
As at 1 January 2023	348,408
Transfers	(238,261)
Depreciation charge	(14,332)
As at 31 December 2023.	<u>95,815</u>

	Buildings
	<i>RMB'000</i>
31 December 2024	
As at 1 January 2024	95,815
Depreciation charge	(3,405)
As at 31 December 2024.	<u>92,410</u>

	Buildings
	<i>RMB'000</i>
31 December 2025	
As at 1 January 2025	92,410
Depreciation charge	(3,405)
As at 31 December 2025.	<u>89,005</u>

The Group’s investment properties are measured using a cost model and are depreciated, based on their costs net-off estimated residual values, over their estimated useful lives on a straight-line basis.

As at 31 December 2023, 2024 and 2025, the fair value of the investment properties was estimated to be approximately RMB338,662,000, RMB340,717,000 and RMB340,044,000, respectively. The valuation was determined using the market approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Rental income from investment properties has been included in the consolidated statement of profit or loss as follows:

	As at 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	<u>2,745</u>	<u>9,362</u>	<u>7,154</u>

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16. LEASES

The Group as a lessee

The Group as a lessee has lease contracts for items of office premises, plant and machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises and plant generally have lease terms between 3 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Leasehold land	Office premises and plant	Total
	RMB'000	RMB'000	RMB'000
31 December 2023			
As at 1 January 2023	380,120	6,411	386,531
Additions	–	11,895	11,895
Termination/modification	–	264	264
Depreciation charge	(11,948)	(4,465)	(16,413)
As at 31 December 2023.	368,172	14,105	382,277
	Leasehold land	Office premises and plant	Total
	RMB'000	RMB'000	RMB'000
31 December 2024			
As at 1 January 2024	368,172	14,105	382,277
Additions	35,720	6,208	41,928
Depreciation charge	(12,052)	(5,771)	(17,823)
As at 31 December 2024.	391,840	14,542	406,382
	Leasehold land	Office premises and plant	Total
	RMB'000	RMB'000	RMB'000
31 December 2025			
As at 1 January 2025	391,840	14,542	406,382
Additions	28,840	19,004	47,844
Depreciation charge	(12,782)	(6,428)	(19,210)
As at 31 December 2025.	407,898	27,118	435,016

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	Leasehold land	Office premises and plant	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023			
As at 1 January 2023	380,120	5,708	385,828
New leases	–	11,895	11,895
Termination/modification	–	125	125
Depreciation charge	(11,948)	(4,088)	(16,036)
As at 31 December 2023	368,172	13,640	381,812
	Leasehold land	Office premises and plant	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2024			
As at 1 January 2024	368,172	13,640	381,812
Depreciation charge	(11,829)	(3,409)	(15,238)
As at 31 December 2024	356,343	10,231	366,574
	Leasehold land	Office premises and plant	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2025			
As at 1 January 2025	356,343	10,231	366,574
New Leases	–	9,493	9,493
Depreciation charge	(11,829)	(3,636)	(15,465)
As at 31 December 2025	344,514	16,088	360,602

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	Year ended 31 December		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at the beginning of year	6,267	13,940	14,429
New leases	11,895	6,208	19,004
Termination/modification	(970)	624	4
Accretion of interest recognised during the year	355	634	526
Lease payments	(3,607)	(6,977)	(6,515)
Carrying amount at the end of year	13,940	14,429	27,448
Current portion	3,970	3,474	7,738
Non-current portion	9,970	10,955	19,710

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The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of year	5,564	13,459	9,970
New leases	11,895	–	9,493
Termination/modification	(722)	–	(359)
Accretion of interest recognised during the year	329	399	341
Lease payments	(3,607)	(3,888)	(2,668)
Carrying amount at the end of year	13,459	9,970	16,777
Current portion.	3,489	2,426	4,253
Non-current portion	9,970	7,544	12,524

The maturity analysis of lease liabilities is disclosed in note 40 to the Historical Financial Information.

- (c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expense relating to short-term leases	9,155	4,958	5,719
Interest on lease liabilities.	355	634	526
Depreciation charge of right-of-use assets	16,413	17,823	19,210
Total amount recognised in profit or loss.	25,923	23,415	25,455

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expense relating to short-term leases	2,921	3,037	1,531
Interest on lease liabilities.	329	399	341
Depreciation charge of right-of-use assets	16,036	15,238	15,465
Total amount recognised in profit or loss	19,286	18,674	17,337

The Group as a lessor

The Group leases its investment properties (note 15) consisting of one commercial property and two office properties located in the PRC under operating lease arrangements since 2020. Most of the lease contracts contain variable payments based on the revenue generated from the lessees. The amount of fixed payments and variable rent with minimum payment amounts are immaterial to the group. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the Relevant Periods was RMB2,745,000, RMB9,362,000, RMB7,154,000, respectively.

- (d) The total cash outflow for leases is disclosed in notes 35(c) to the Historical Financial Information.

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17. INTANGIBLE ASSETS

The Group

	Patents	Non-patent rights	Customer relationships	Trademarks	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023						
At 1 January 2023:						
Cost	475	563	12,834	39,897	24,313	78,082
Accumulated depreciation . . .	(431)	(540)	(12,820)	(2,339)	(21,722)	(37,852)
Net carrying amount	44	23	14	37,558	2,591	40,230
Cost at 1 January 2023, net of accumulated amortisation . .	44	23	14	37,558	2,591	40,230
Additions	–	–	–	–	2,090	2,090
Disposals	(3)	–	–	–	–	(3)
Amortisation provided during the year	(7)	(6)	(14)	(3,991)	(3,251)	(7,269)
Transfers	–	–	–	–	2,801	2,801
At 31 December 2023	34	17	–	33,567	4,231	37,849

	Patents	Non-patent rights	Customer relationships	Trademarks	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024						
At 1 January 2024:						
Cost	471	563	12,834	39,897	28,505	82,270
Accumulated depreciation . . .	(437)	(546)	(12,834)	(6,330)	(24,274)	(44,421)
Net carrying amount	34	17	–	33,567	4,231	37,849
Cost at 1 January 2024, net of accumulated amortisation . .	34	17	–	33,567	4,231	37,849
Additions	–	–	–	–	3,202	3,202
Disposals	(3)	–	–	–	–	(3)
Amortisation provided during the year	(2)	(6)	–	(3,990)	(4,237)	(8,235)
Transfers	–	–	–	–	5,959	5,959
At 31 December 2024	29	11	–	29,577	9,155	38,772

	Patents	Non-patent rights	Customer relationships	Trademarks	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025						
At 1 January 2025:						
Cost	468	563	12,834	39,897	36,449	90,211
Accumulated depreciation . . .	(439)	(552)	(12,834)	(10,320)	(27,294)	(51,439)
Net carrying amount	29	11	–	29,577	9,155	38,772
Cost at 1 January 2025, net of accumulated amortisation . .	29	11	–	29,577	9,155	38,772
Additions	–	113	–	–	37,505	37,618
Disposals	–	–	–	–	–	–
Amortisation provided during the year	(29)	(12)	–	(3,990)	(6,493)	(10,524)
At 31 December 2025	–	112	–	25,587	40,167	65,866

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18. INVESTMENTS IN ASSOCIATES

The Group

	Percentage of ownership interest attributable to the Group	Notes	As at 31 December		
			2023	2024	2025
			RMB'000	RMB'000	RMB'000
Share of net assets					
Xiongke Culture Media (Hangzhou) Co., Ltd. (“熊客文化傳媒(杭州)有限公司”)	20	(a)	2,618	2,600	2,600
Jiaxing Voyong Investment Partnership (L.P.) (“嘉興沃永投資合夥企業(有限合夥)”)	45	(b)	100,964	101,198	–
Zhuhai Haishilong BIO-TECH Co., Ltd. (“珠海海獅龍生物科技股份有限公司”).	10	(c) (d)	83,843	81,751	81,442
Beijing Xiushi Cultural Development Co., Ltd. (“北京秀室文化發展有限公司”)	15	(d)	4,531	3,721	3,281
Shenzhen Flower Knows Electronic Commerce Co., Ltd. (“深圳花知曉電子商務有限公司”)	38	(e)	–	–	434,581
			191,956	189,270	521,904
Provision for impairment					
Xiongke Culture Media (Hangzhou) Co., Ltd. (“熊客文化傳媒(杭州)有限公司”)	20	(a)	–	–	(2,419)
Zhuhai Haishilong BIO-TECH Co., Ltd. (“珠海海獅龍生物科技股份有限公司”).	10	(c) (d)	(81,442)	(81,442)	(81,442)
			110,514	107,828	438,043

The Company

	Percentage of ownership interest attributable to the Group	Notes	As at 31 December		
			2023	2024	2025
			RMB'000	RMB'000	RMB'000
Share of net assets					
Xiongke Culture Media (Hangzhou) Co., Ltd. (“熊客文化傳媒(杭州)有限公司”)	20	(a)	2,618	2,600	2,600
Jiaxing Voyong Investment Partnership (L.P.) (“嘉興沃永投資合夥企業(有限合夥)”)	45	(b)	100,964	101,198	–
Zhuhai Haishilong BIO-TECH Co., Ltd. (“珠海海獅龍生物科技股份有限公司”).	10	(c) (d)	83,843	81,751	81,442
Beijing Xiushi Cultural Development Co., Ltd. (“北京秀室文化發展有限公司”)	15	(d)	4,531	3,721	3,281
			191,956	189,270	87,323

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	Percentage of ownership interest attributable to the Group	Notes	As at 31 December		
			2023	2024	2025
			RMB'000	RMB'000	RMB'000
Provision for impairment					
Xiongke Culture Media (Hangzhou) Co., Ltd. (“熊客文化傳媒(杭州)有限公司”)	20	(a)	—	—	(2,419)
Zhuhai Haishilong BIO-TECH Co., Ltd. (“珠海海獅龍生物科技股份有限公司”)	10	(c) (d)	(81,442)	(81,442)	(81,442)
			110,514	107,828	3,462

Notes:

- (a) Due to the loss on share of net assets of Xiongke Culture Media (Hangzhou) Co., Ltd., the Group performed impairment testing and made provision of RMB2,419,000 in year 2025. The net book value of investment in Xiongke Culture Media (Hangzhou) Co., Ltd. was RMB181,000 as at 31 December 2025.
- (b) The Group disposed its all 45% equity interest of investment in Jiaxing Voyong Investment Partnership (L.P.) in June 2025, for cash consideration of RMB99,990,000 to an independent third party, with disposal loss of RMB3,073,000.
- (c) Due to the significant loss on share of net assets of Zhuhai Haishilong BIO-TECH Co., Ltd., the Group performed impairment testing and made full provision.
- (d) The Group’s investments in Zhuhai Haishilong BIO-TECH Co., Ltd. and Beijing Xiushi Cultural Development Co., Ltd., equity interest less than 20%, are accounted for under the equity method of accounting because the Group has significant influence over the associate by way of representation on the board of directors.
- (e) The Group acquired 38.45% equity interest of Shenzhen Flower Knows Electronic Commerce Co., Ltd. in August 2025 at the consideration of RMB427,976,000. The acquisition consideration was fully settled in 2025, and an equity pickup of RMB42,605,000 was recognized in profit or loss, while a dividend of RMB35,999,900 declared by the acquiree reduced the carrying amount of the investment.

The following table illustrates the aggregate financial information of the Group’s associates that are not individually material:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of the associates’ (loss)/profit for the year	(17,270)	(2,687)	43,721
Share of the associates’ other comprehensive income for the year	(20,250)	–	–
Aggregate carrying amount of the Group’s investments in the associates	110,514	107,828	438,043

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of the associates’ (loss)/profit for the year	(17,270)	(2,687)	–
Share of the associates’ other comprehensive income for the year	(20,250)	–	–
Aggregate carrying amount of the Company’s investments in the associates	110,514	107,828	3,462

Impairment tests

When any indicators of impairment are identified, investments in associates are reviewed for impairment tests based on each cash-generating unit (“CGU”) to which each associate belong. The carrying amounts of these individual CGUs were compared to the recoverable amounts of the CGUs and impairment was recognised if the recoverable amount of the CGU is lower than the carrying amount.

During the year ended 31 December 2025, the directors of the Group identified Xiongke Culture Media (Hangzhou) Co., Ltd. with an impairment indicator because of its continual operation losses. The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. Assumptions were used in the value-in-use calculation of the investments at 31 December 2025. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of investments.

Revenue growth rate: The rates were determined by management based on historical sales performance, adjusted for forward-looking factors specific to the policy and economic environment, and are consistent with the average growth forecasts published in industry reports.

Discount rate: The discount rates used are before tax and reflect specific risks relating to the relevant units.

When determining the estimated discount rate, the Group used the key parameters by reference to certain companies of same industry sector.

During the year ended 31 December 2025, an impairment loss of approximately RMB2,419,000 was recognised in the profit or loss. The impairment loss is driven by the lower recoverable amount of CGU resulting in the directors’ reassessment of estimate future business performance.

Except for above impairment indicator, no other indicators were identified during the Relevant Periods, after the management assesses on the performances of associates.

19. INVESTMENTS IN A JOINT VENTURE

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	3,060	3,263	3,261

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The following table illustrates the financial information of the Group/Company’s joint venture that is not individually material:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of the joint venture’s (loss)/profit for the year	(9)	203	(2)
Aggregate carrying amount of the Group’s investments in the joint venture	3,060	3,263	3,261

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value			
Gaolang Holding Co., Ltd. (“高浪控股股份有限公司”)	51,258	14,855	12,365
Hangzhou Regenovo Biotechnology Co., Ltd. (“杭州捷諾飛生物科技股份有限公司”)	20,580	20,580	20,580
LIPOTRUE, S.L.	35,822	35,822	35,822
Beijing ChemPion Biotechnology Co., Ltd. (“北京樺冠生物技術有限公司”)	–	–	10,000
Total	107,660	71,257	78,767

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value			
Gaolang Holding Co., Ltd. (“高浪控股股份有限公司”)	51,258	14,855	12,365
Hangzhou Regenovo Biotechnology Co., Ltd. (“杭州捷諾飛生物科技股份有限公司”)	20,580	20,580	20,580
Beijing ChemPion Biotechnology Co., Ltd. (“北京樺冠生物技術有限公司”)	–	–	10,000
Total	71,838	35,435	42,945

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The fair value change of RMB38,742,000, RMB36,403,000 and RMB2,490,000 has been recognised as other comprehensive loss that will not be reclassified to profit or loss in subsequent periods.

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21. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

The Group

	As at 31 December 2023									
	Unrealised profits	Unredeemed membership points	Impairment provision	Share-based payment	Lease liabilities	Accrued expenses	Changes in FVTOCI	Others	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2023	10,506	20,818	8,063	5,941	67	–	–	2,910	48,305	
Deferred tax credited/(charged) to profit or loss during the year . . .	29,385	11,110	12,691	(109)	2,072	2,914	–	15,022	73,085	
Deferred tax credited to other comprehensive income during the year	–	–	–	–	–	–	5,811	–	5,811	
Deferred tax credited to other reserves during the year . .	–	–	–	104	–	–	–	–	104	
Gross deferred tax assets at 31 December 2023	39,891	31,928	20,754	5,936	2,139	2,914	5,811	17,932	127,305	
As at 31 December 2024										
	Unrealised profits	Unredeemed membership points	Impairment provision	Share-based payment	Accrued expenses	Lease liabilities	Changes in FVTOCI	Others	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2024	39,891	31,928	20,754	5,936	2,914	2,139	5,811	17,932	127,305	
Deferred tax credited/(charged) to profit or loss during the year . . .	30,129	(5,954)	(896)	(3,494)	49,432	471	–	(10,960)	58,728	
Deferred tax credited to other comprehensive income during the year	–	–	–	–	–	–	5,460	–	5,460	
Gross deferred tax assets at 31 December 2024	70,020	25,974	19,858	2,442	52,346	2,610	11,271	6,972	191,493	
As at 31 December 2025										
	Unrealised profits	Tax losses	Unredeemed membership points	Impairment provision	Share-based payment	Accrued expenses	Changes in FVTOCI	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025	70,020	–	25,974	19,858	2,442	52,346	11,271	2,610	6,972	191,493
Deferred tax (charged)/credited to profit or loss during the year	(20,680)	3,750	1,698	(9,495)	(2,442)	13,923	–	440	(264)	(13,070)
Deferred tax credited/(charged) to other comprehensive income during the year .	–	–	–	–	–	–	374	–	–	374
Gross deferred tax assets at 31 December 2025 . .	49,340	3,750	27,672	10,363	–	66,269	11,645	3,050	6,708	178,797

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	As at 31 December 2023						
	Impairment provision	Share-based payment	Accrued expenses	Changes in FVTOCI	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	7,525	2,820	—	—	67	960	11,372
Deferred tax credited to profit or loss during the year	6,144	169	1,047	—	1,952	196	9,508
Deferred tax credited to other comprehensive income during the year.	—	—	—	5,811	—	—	5,811
Gross deferred tax assets at 31 December 2023 . .	13,669	2,989	1,047	5,811	2,019	1,156	26,691
	As at 31 December 2024						
	Impairment provision	Share-based payment	Accrued expenses	Changes in FVTOCI	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	13,669	2,989	1,047	5,811	2,019	1,156	26,691
Deferred tax (charged)/credited to profit or loss during the year	(840)	(1,947)	(1,047)	—	(523)	1,134	(3,223)
Deferred tax credited to other comprehensive income during the year.	—	—	—	5,460	—	—	5,460
Gross deferred tax assets at 31 December 2024 . .	12,829	1,042	—	11,271	1,496	2,290	28,928
	As at 31 December 2025						
	Impairment provision	Share-based payment	Lease liabilities	Changes in FVTOCI	Others	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2025.	12,829	1,042	1,496	11,271	2,290	28,928	
Deferred tax (charged)/credited to profit or loss during the year	314	(1,042)	1,021	—	212	505	
Deferred tax credited to other comprehensive income during the year.	—	—	—	374	—	374	
Gross deferred tax assets at 31 December 2025	13,143	—	2,517	11,645	2,502	29,807	

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The movements in deferred tax liabilities during the Relevant Periods are as follows:

The Group

As at 31 December 2023			
	Accelerated tax depreciation	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023.	19,019	–	19,019
Deferred tax (credited)/charged to profit or loss during the year	(2,370)	2,162	(208)
Deferred tax liabilities at 31 December 2023 . . .	16,649	2,162	18,811
As at 31 December 2024			
	Accelerated tax depreciation	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2024.	16,649	2,162	18,811
Deferred tax charged to profit or loss during the year	8,525	424	8,949
Deferred tax liabilities at 31 December 2024 . . .	25,174	2,586	27,760
As at 31 December 2025			
	Accelerated tax depreciation	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2025.	25,174	2,586	27,760
Deferred tax charged to profit or loss during the year	1,630	337	1,967
Deferred tax liabilities at 31 December 2025 . . .	26,804	2,923	29,727

The Company

As at 31 December 2023			
	Accelerated tax depreciation	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023.	18,758	–	18,758
Deferred tax charged/(credited) to profit or loss during the year	(2,370)	2,046	(324)
Deferred tax liabilities at 31 December 2023 . . .	16,388	2,046	18,434

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As at 31 December 2024			
	Accelerated tax depreciation	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2024.	16,388	2,046	18,434
Deferred tax (credited)/charged to profit or loss during the year	8,661	(538)	8,123
Deferred tax liabilities at 31 December 2024 . . .	25,049	1,508	26,557
As at 31 December 2025			
	Accelerated tax depreciation	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2025.	25,049	1,508	26,557
Deferred tax charged to profit or loss during the year	1,755	864	2,619
Deferred tax liabilities at 31 December 2025 . . .	26,804	2,372	29,176

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Group and the Company for financial reporting purposes:

The Group

As at 31 December			
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position. . .	108,494	163,733	149,070

The Company

As at 31 December			
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position. . .	8,257	2,371	631

As at 31 December 2023, 2024 and 2025, deferred tax assets have not been recognized in respect of tax losses of, RMB414,388,000, RMB222,622,000 and RMB204,111,000 and deductible temporary differences of RMB200,425,000, RMB250,499,000 and RMB271,944,000, respectively, which will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these unused tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized in the foreseeable future.

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22. INVENTORIES

The Group

	As at 31 December		
	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

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	91,363	64,415	55,958
Work in progress	20,188	14,534	9,627
Finished goods	404,492	229,662	229,479
Total	516,043	308,611	295,064

23. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	375,478	555,275	84,181
Bills receivable	7,379	–	2,492
Impairment	(30,922)	(37,320)	(14,031)
Trade and bills receivables, net.	351,935	517,955	72,642

The Group’s trade receivables usually generate from sales through online distributors and offline local distributors. The Group usually grants credit period within 90 days. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the Group’s trade receivables and bills receivable as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

The Group

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

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Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

The Group

As at 31 December 2023

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate . .	5%	30%	50%	100%	6%
Gross carrying amount (RMB’000).	368,655	1,358	788	3,655	374,456
Expected credit losses (RMB’000).	18,065	407	394	3,655	22,521

As at 31 December 2024

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate . .	5%	30%	50%	100%	6%
Gross carrying amount (RMB’000).	544,412	312	1,089	3,781	549,594
Expected credit losses (RMB’000).	27,220	94	544	3,781	31,639

As at 31 December 2025

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate . .	5%	30%	50%	100%	6%
Gross carrying amount (RMB’000).	73,323	705	–	4,315	78,343
Expected credit losses (RMB’000).	3,665	212	–	4,315	8,192

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	432	491	2,609
Bills receivable	4,733	–	–
Impairment	(21)	(25)	(246)
Trade and bills receivables, net.	5,144	466	2,363

The Group’s bills receivable were all aged within one year and were neither past due nor impaired.

As at 31 December 2023, 2024 and 2025 bills receivable of RMB7,379,000, nil and RMB2,492,000 respectively, whose fair values approximate to their carrying values were classified as financial assets through other comprehensive income under IFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the Relevant Periods.

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24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deductible input value-added tax	90,307	102,376	136,914
Corporate income tax prepaid	268	10,371	3,838
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
Impairment allowance	(37,905)	(33,015)	(35,305)
Current portion	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments for property, plant and equipment . .	8,776	370	1,110
Prepaid endorsement fee	–	–	47,877
Others	8,199	10,888	14,692
Non-current portion	16,975	11,258	63,679
Total	[REDACTED]	[REDACTED]	[REDACTED]

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deductible input value-added tax	38,763	55,092	89,213
Prepayments and prepaid expenses	37,422	32,165	35,562
Deposits and other receivables	7,513	7,305	8,721
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Impairment allowance	(6,478)	(9,024)	(5,443)
Current portion	[REDACTED]	[REDACTED]	[REDACTED]
Prepayments for property, plant and equipment . .	8,776	370	1,110
Prepaid endorsement fee	–	–	47,877
Others	8,199	10,888	14,692
Non-current portion	16,975	11,258	63,679
Total	[REDACTED]	[REDACTED]	[REDACTED]

As at the end of each of the Relevant Periods, except for the defaulted other receivables, other receivables of the Group were considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables is immaterial under the 12-month expected credit loss method.

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25. CASH AND CASH BALANCES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	3,659,268	2,742,570	3,934,244
Time deposits	335,288	1,327,742	1,119,456
Pledged deposits	16,530	11,815	7,282
Total	4,011,086	4,082,127	5,060,982

In 2025, the Group entered contracts in respect of wealth management products with an expected but not guaranteed rates of return ranging from 0.45% to 3.94% per annum from banks (2024, 2023: Nil, Nil).

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents and deposits denominated in			
RMB	3,726,478	3,967,090	4,859,947
EUR	205,170	41,097	46,720
HKD	20,287	21,703	80,849
USD	55,579	28,818	50,891
JPY	1,622	19,402	16,265
Others	1,950	4,017	6,310
Total	4,011,086	4,082,127	5,060,982

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	2,472,028	1,622,510	2,098,944
Time deposits	335,288	1,035,056	872,097
Pledged deposits	9,050	3,667	3,686
Total	2,816,366	2,661,233	2,974,727

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents and deposits denominated in			
RMB	2,816,366	2,661,233	2,974,727

The RMB is not freely convertible into other currencies, however, under Chinese mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. TRADE AND BILLS PAYABLES

The Group

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

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	525,169	306,256	419,449
Bills payable	36,959	—	—
Total	562,128	306,256	419,449

As of the end of each of the Relevant Periods, the ageing analysis of trade payables and bills payable is as follows:

The Group

	As at 31 December		
	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

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within a year	555,050	298,116	411,965
1 to 2 years	1,504	3,803	5,180
2 to 3 years	877	44	252
Over 3 years	4,697	4,293	2,052
Total	562,128	306,256	419,449

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The trade and bills payables are non-interest-bearing and are normally settled on 30 to 90 days after receiving invoice.

27. OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Value-added tax 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 from distributors	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

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Value-added tax and other tax payables	120,622	36,717	14,064
Payroll and welfare payables	88,243	89,371	101,369
Payable for purchase of property, plant and equipment	72,061	38,209	53,474
Deposits from distributors	1,902	3,833	5,138
Considerations received from employees under restricted A-share incentive scheme	107,884	46,131	–
Others	3,409	622	2,608
Total	394,121	214,883	176,653

Other payables, accruals and other current liabilities are non-interest-bearing and repayable on demand.

28. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Advances received from customers	116,035	43,897	53,766
Unredeemed membership points	134,936	109,943	113,867
Promotional gifts	50,074	–	–
Total	301,045	153,840	167,633

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29. INTEREST-BEARING BANK LOANS

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Bank loans – unsecured	200,156	–	80,053

Bank loans carry a weighted average effective interest rate at 2.16% (2023:2.80%) and will mature during 2026 (2023: during 2024).

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year or on demand	200,156	–	80,053
Subtotal	200,156	–	80,053
Total	200,156	–	80,053

Notes:

- (a) The Group’s credit facilities amounted to RMB500,000,000 (2024: RMB500,000,000, 2023: RMB500,000,000). No drawdowns were made on the Group’s credit facilities during the relevant periods.
- (b) All borrowings are denominated in RMB.

30. CONVERTIBLE BONDS

On 8 December 2021, the Company issued Convertible bonds bearing interest at 0.30% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year, due on 7 December 2027 with an aggregate principal amount of RMB751,713,000. The Convertible bonds holders were entitled to convert their Convertible bonds into ordinary shares of the Company at an initial conversion price of RMB195.98 per share from 4 June 2022 to 7 December 2027, the maturity date. Unless previously redeemed, converted, purchased and cancelled, all Convertible bonds outstanding on the maturity date plus accrued interest shall be repaid by the Company at the amount of 115% of the principal amount outstanding, including the interest for the last period, within five trading days after the maturity date.

At the issue date, the fair value of the liability component was estimated by reference to a similar bond without a conversion option and an equivalent market interest rate at that time. Meanwhile, the residual amount was assigned to the equity component and recognized in reserve account. The effective interest rate of the liability component of Convertible bonds is 4.53% per annum.

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The movements of the Convertible bonds during the Relevant Periods are set out below:

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	724,492	753,120	780,011
Effective interest expenses.	32,522	34,436	35,649
Interest paid	(3,754)	(7,508)	(11,261)
Conversion to ordinary shares	(140)	(37)	(7)
At end of year	<u>753,120</u>	<u>780,011</u>	<u>804,392</u>

31. SHARE CAPITAL

The Group and the Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Issued and fully paid:			
ordinary shares of RMB1.00 each.	<u>396,757</u>	<u>396,247</u>	<u>395,975</u>

A summary of movements in the Company’s share capital is as follows:

The Group and the Company

	Number of shares in issue	Share capital
		RMB'000
As at 1 January 2023	<u>283,519,469</u>	<u>283,520</u>
Shares repurchased	(171,542)	(172)
Transfer from reserves	113,408,136	113,408
Convertible bonds converted into shares	1,121	1
As at 31 December 2023 and 1 January 2024	<u>396,757,184</u>	<u>396,757</u>
Shares repurchased	(509,992)	(510)
Convertible bonds converted into shares	363	–
As at 31 December 2024 and 1 January 2025	<u>396,247,555</u>	<u>396,247</u>
Shares repurchased	(271,768)	(272)
Convertible bonds converted into shares	211	–
As at 31 December 2025.	<u>395,975,998</u>	<u>395,975</u>

32. SHARE INCENTIVE SCHEMES

In order to further establish and improve the long-term incentive mechanism of the Group, attract and retain outstanding talents, and fully mobilise the enthusiasm of senior managers, middle-level managers and key employees of the Group, Proya Cosmetics Co., Ltd., the holding company of the Group, adopted a share incentive scheme in

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July 2022 (the “2022 Restricted A Share Incentive Scheme”). The share incentive participants include senior managers, middle-level managers and key employees of the Group (excluding independent directors, supervisors and shareholders or actual controllers who individually or jointly hold more than 5% of the Company’s shares and their spouses, parents and children).

On 25 July 2022, pursuant to the 2022 Restricted A Share Incentive Scheme, 2,100,000 A shares of the Company were issued and granted to 101 Share Incentive Participants of the 2022 Restricted A Share Incentive Scheme at a subscription price of RMB78.56 per share.

The restricted shares granted under the 2022 Restricted A Share Incentive Scheme shall be vested with certain performance conditions in three phases within the next 36 months after the expiration of the date of initial grant of the restricted shares, with the proportions of unlocking the restriction in three phases being 30%, 30% and 40%.

From 26 December 2023 to 31 January 2024, the Company repurchased 2,210,825 A shares at a total consideration of RMB192,116,000, which were held for the purpose of share incentive schemes.

The following shares under restricted A share incentive scheme were outstanding during the Relevant Periods:

The Group and the Company

	As at 31 December		
	2023	2024	2025
Number of restricted A shares			
At 1 January	2,100,000	1,957,060	842,520
Granted during the year	–	–	–
Forfeited during the year.	(171,542)	(509,992)	(271,768)
Vested during the year	(811,398)	(604,548)	(570,752)
Capital reserve converted into share capital	840,000	–	–
At 31 December	1,957,060	842,520	–

The Group recognised share-based compensation expenses of RMB75,515,000, RMB9,543,000, reversal of RMB7,197,000 during the Relevant Periods, respectively.

33. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Capital reserve

a. Share premium

The share premium of the Group represents the difference between the par value of the shares issued and the consideration received.

b. Share-based payment reserve

The share-based payment reserve represents the share-based compensation reserve due to equity-settled share award, details of which are set out in note 32 to the Historical Financial Information.

c. Other reserve

Other reserve mainly includes: a) reserve resulted from acquisition of non-controlling interests; b) reserve resulted from the conversion of convertible bonds; c) partial disposal of subsidiaries without loss of control.

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Other comprehensive income

Other comprehensive income includes: a) reserve resulted from share of other comprehensive loss of an associate; b) reserve resulted from changes in fair value of equity investments at fair value through other comprehensive income, net of tax; c) exchange fluctuation reserve.

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

Statutory surplus reserve

In accordance with the Company Law of the People’s Republic of China, each company in the PRC is required to allocate 10% of its statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the company’s registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or to increase the registered capital of the company. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Other equity instruments

The other equity instruments arise from the equity component of convertible bonds, details of which are set out in note 30 to the Historical Financial Information.

The Company

	Capital reserve	Other equity instruments	Statutory surplus reserve	Other comprehensive income	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023.	964,613	50,904	141,760	–	2,001,098	3,158,375
Profit for the year.	–	–	–	–	869,419	869,419
Share of other comprehensive loss of an associate.	–	–	–	(20,250)	–	(20,250)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax.	–	–	–	(32,931)	–	(32,931)
Total comprehensive (loss)/income for the year. .	–	–	–	(53,181)	869,419	816,238
The conversion of convertible bonds.	149	(10)	–	–	–	139
Capital reserve converted into share capital.	(113,408)	–	–	–	–	(113,408)
Cancellation of repurchased shares.	(9,321)	–	–	–	–	(9,321)
Reversal of deferred tax assets related to restricted shares incentive.	(24)	–	–	–	–	(24)
Equity-settled share-based payments.	75,515	–	–	–	–	75,515
Profit appropriation to reserves.	–	–	56,652	–	(56,652)	–
Distribution to shareholders. .	–	–	–	–	(397,456)	(397,456)
At 31 December 2023.	917,524	50,894	198,412	(53,181)	2,416,409	3,530,058

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	Capital reserve	Other equity instruments	Statutory surplus reserve	Other comprehensive income	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024.	917,524	50,894	198,412	(53,181)	2,416,409	3,530,058
Profit for the year	–	–	–	–	1,183,247	1,183,247
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	(30,943)	–	(30,943)
Total comprehensive (loss)/income for the year. .	–	–	–	(30,943)	1,183,247	1,152,304
The conversion of convertible bonds	39	(2)	–	–	–	37
Cancellation of repurchased shares	(27,133)	–	–	–	–	(27,133)
Equity-settled share-based payments	9,543	–	–	–	–	9,543
Distribution to shareholders . .	–	–	–	–	(359,037)	(359,037)
At 31 December 2024	899,973	50,892	198,412	(84,124)	3,240,619	4,305,772

	Capital reserve	Other equity instruments	Statutory surplus reserve	Other comprehensive income	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025.	899,973	50,892	198,412	(84,124)	3,240,619	4,305,772
Profit for the year	–	–	–	–	1,072,211	1,072,211
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	921	–	921
Total comprehensive income for the year	–	–	–	921	1,072,211	1,073,132
The conversion of Convertible corporate bonds	9	(2)	–	–	–	7
Cancellation of repurchased shares	(14,112)	–	–	–	–	(14,112)
Equity-settled share-based payments	(7,197)	–	–	–	–	(7,197)
Distribution to shareholders . .	–	–	–	–	(783,940)	(783,940)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income. . . .	–	–	–	17,213	(17,213)	–
At 31 December 2025	878,673	50,890	198,412	(65,990)	3,511,677	4,573,662

34. DISPOSAL OF SUBSIDIARIES

In February 2023, a subsidiary of the Group entered into a share transfer agreement with Mr. Xu Xiang, pursuant to which, the Group disposed of the entire equity interest in Hangzhou Tiedingxian Catering Management Co., Ltd. (“杭州鐵定鮮餐飲管理有限公司”) for a consideration of RMB1,500,000. Such transaction was completed in February 2023.

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In February 2023, a subsidiary of the Group entered into a share transfer agreement with Mr. Xu Xiang and Mr. Gan Genzhi, pursuant to which, the Group disposed of the entire equity interest in Hangzhou Xiake Bar Catering Management Co., Ltd. (“杭州俠客吧餐飲管理有限公司”) for a consideration of RMB3,500,000. Such transaction was completed in February 2023.

In April 2025, the Company entered into a share transfer agreement with Meilie (Hangzhou) internet technology Co., Ltd. and Ms.Xie Xiujun, pursuant to which, the Group disposed of the entire equity interest in Zhejiang Biyouiti Cosmetics Co., Ltd. (“浙江比優媿化妝品有限公司”) for a consideration of RMB7,850,000. Such transaction was completed in April 2025.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net assets disposed of:			
Property, plant and equipment	3,458	—	126
Intangible assets	3	—	—
Cash and bank balances	1,982	—	—
Trade receivables	1,758	—	16,499
Prepayments, other receivables and other assets	421	—	2,635
Inventories	2,451	—	13,724
Trade payables	(1,603)	—	(21,817)
Accruals and other payables	(3,067)	—	(1,204)
Contract liabilities	—	—	(162)
Non-controlling interests	(379)	—	—
	5,024	—	9,801
Loss on disposal of subsidiaries	(24)	—	(1,951)
	5,000	—	7,850
Satisfied by:			
Cash	5,000	—	7,850

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash consideration	5,000	—	7,850
Cash and bank balances disposed of.	(1,982)	—	—
Amounts receivable from disposal of a subsidiary	—	—	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	3,018	—	7,850

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,895,000, RMB6,208,000 and RMB19,004,000, respectively, in respect of lease arrangements for office premises and plant.

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(b) Changes in liabilities arising from financing activities

	Interest-bearing bank loans	Lease liabilities	Convertible bonds	Dividends Payable	Other payables-restricted A shares repurchase	Accrued [REDACTED] expense included in other payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 . . .	200,196	6,267	724,492	–	164,976	–	1,095,931
Changes from							
financing cash flows.	(5,883)	(3,607)	(3,754)	(397,456)	(9,493)	–	(420,193)
Dividends declared. . .	–	–	–	397,456	–	–	397,456
Interest expense	5,843	355	12,134	–	–	–	18,332
New leases.	–	11,895	–	–	–	–	11,895
Termination/modification.	–	(970)	–	–	–	–	(970)
Non-cash movement . .	–	–	20,248	–	(47,599)	–	(27,351)
At 31 December 2023 and 1 January 2024 .	200,156	13,940	753,120	–	107,884	–	1,075,100
Changes from							
financing cash flows.	(204,193)	(6,977)	(7,508)	(359,037)	(27,643)	–	(605,358)
Dividends declared. . .	–	–	–	359,037	–	–	359,037
Interest expense	4,037	634	26,159	–	–	–	30,830
New leases.	–	6,208	–	–	–	–	6,208
Termination/modification.	–	624	–	–	–	–	624
Non-cash movement . .	–	–	8,240	–	(34,110)	–	(25,870)
At 31 December 2024 and 1 January 2025 .	–	14,429	780,011	–	46,131	–	840,571
Changes from							
financing cash flows.	79,640	(6,515)	(11,261)	(787,632)	(14,385)	(23,416)	(763,569)
Changes from							
operating cash flows	–	–	–	–	–	(58)	(58)
Dividends declared. . .	–	–	–	787,632	–	–	787,632
Interest expense	413	526	35,703	–	–	–	36,642
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
New leases.	–	19,004	–	–	–	–	19,004
Termination/modification.	–	4	–	–	–	–	4
Non-cash movement . .	–	–	(61)	–	(31,746)	–	(31,807)
At 31 December 2025 .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(c) Total cash out flow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities.	9,155	4,958	5,719
Within financing activities.	3,607	6,977	6,515
Total	12,762	11,935	12,234

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36. COMMITMENTS

The Group had commitments for the purchase of items of property, plant and equipment with aggregate amounts of RMB164,687,000, RMB28,471,000 and RMB2,494,000 at the end of each of the Relevant Periods, respectively.

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Beauty Hi-tech Innovation Co., Ltd.	The minority shareholder and entities controlled by the minority shareholder
EURL PHARMATICA	The minority shareholder and entities controlled by the minority shareholder
S.A.S. AREDIS	The minority shareholder and entities controlled by the minority shareholder
SARL ORTUS	The minority shareholder and entities controlled by the minority shareholder
Paris Station Trading Co., Ltd. (“巴黎驛站貿易有限公司”)	The minority shareholder and entities controlled by the minority shareholder
Beijing Xiushi Culture Development Co., Ltd. (“北京秀室文化發展有限公司”)	Associates and entities controlled by associates
Hangzhou Jenorflow Biotech Co., Ltd. (“杭州捷諾飛生物科技股份有限公司”)	Associates and entities controlled by associates
Hangzhou Coral Voyage Cultural Tourism Planning and Design Co., Ltd. (“杭州慢珊瑚文旅規劃設計有限公司”)	Executive directors and entities controlled by the executive directors
Hangzhou Zheshang Enterprise Information Consulting Partnership (Limited Partnership) (“杭州浙尚企業信息諮詢合夥企業（有限合夥）”)	Executive directors and entities controlled by the executive directors
Huzhou Meizhuang Town Technology Incubation Park Co., Ltd. (“湖州美妝小鎮科技孵化園有限公司”)	Executive directors and entities controlled by the executive directors
Cosmetics Industry (Huzhou) Investment and Development Co., Ltd. (“化妝品產業（湖州）投資發展有限公司”)	Executive directors and entities controlled by the executive directors
Ningbo Weiman Cosmetics Co., Ltd. (“寧波唯蔓化妝品有限公司”)	Associates and entities controlled by associates
Pan Xiang (“潘翔”)	The minority shareholder and entities controlled by the minority shareholder
Shanghai Youke Jiabei Technology Co., Ltd. (“上海攸珂加倍科技有限公司”)	The minority shareholder and entities controlled by the minority shareholder
Shanghai Youke Brand Management Co., Ltd. (“上海攸珂品牌管理有限公司”)	The minority shareholder and entities controlled by the minority shareholder
Zhejiang Proya Charity Foundation (“浙江珀萊雅公益基金會”)	Executive directors and entities controlled by the executive directors
Zhuhai Haishilong Biotechnology Co., Ltd. (“珠海海獅龍生物科技股份有限公司”)	Associates and entities controlled by associates
Shenzhen Flower Knows Electronic Commerce Co., Ltd. (“深圳花知曉電子商務有限公司”)	Associates and entities controlled by associates
Zhejiang Tieding Liuliu Biotechnology Co., Ltd. (“浙江鐵定溜溜生物科技股份有限公司”)	Executive directors and entities controlled by the executive directors
Second Power (Zhejiang) Health Technology Co., Ltd. (“二次方（浙江）健康科技有限公司”)	Executive directors and entities controlled by the executive directors

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(b) Related party transactions

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Associates and entities controlled by associates			
Purchases of products and services	334	6,673	215
Sales of products and services	14	–	–
Executive directors and entities controlled by the executive directors			
Purchases of products and services	622	649	522
Sales of products and services	–	–	95
Leases payment	518	537	–
Lease interest	28	14	–
The minority shareholder and entities controlled by the minority shareholder			
Purchases of products and services	4,545	34	6,577
Sales of products and services	–	–	–

(c) Outstanding balances with related parties

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade:			
Associates and entities controlled by associates			
Trade receivables	15	–	–
Trade payables	122	–	–
Executive directors and entities controlled by the executive directors			
Prepayment	–	–	–
Trade payables	200	–	–
The minority shareholder and entities controlled by the minority shareholder			
Prepayment	100	–	844
Trade payables	–	–	1,340
Non-trade:			
Associates and entities controlled by associates			
Dividends receivable from an associate*	–	–	20,000
Executive directors and entities controlled by the executive directors			
Other payables	2,000	–	–
Amounts due from related parties	115	–	20,844
Amount due to related parties	2,322	–	1,340

* Shenzhen Flower Knows Electronic Commerce Co., Ltd., an associate of the Group, declared dividends of RMB35,999,900. As of 31 December 2025, the Group received RMB15,999,900, with the balance of RMB20,000,000 subsequently received on 8 January 2026.

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For the Company, most of amount due to and due from related parties is transaction balance with subsidiaries and has been eliminated at group level.

(d) Compensation of key management personnel of the Group:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	12,518	13,313	9,473
Pension scheme contributions	470	514	209
Share-based payment	12,748	6,159	(4,240)
Total	25,736	19,986	5,442

Further details of directors’ and the chief executive’s remuneration are included in Note 9 to the Historical Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
<i>Financial assets at amortised cost:</i>			
Trade receivables	344,556	517,955	70,150
Financial assets included in prepayments, other receivables and other assets	81,613	8,114	9,459
Amounts due from related parties	115	–	20,844
Time Deposits	335,288	1,327,742	1,119,456
Pledged deposits	16,530	11,815	7,282
Cash and cash equivalents	3,659,268	2,742,570	3,934,244
Total	4,437,370	4,608,196	5,161,435
<i>Financial assets at fair value through other comprehensive income:</i>			
Bills receivables	7,379	–	2,492
Other equity instrument investments	107,660	71,257	78,767
Total	115,039	71,257	81,259
Financial liabilities			
<i>Financial liabilities at amortised cost:</i>			
Trade and bills payables.	983,094	638,115	743,513
<i>Financial liabilities included in other payables and accruals.</i>	225,412	130,051	98,822
Interest-bearing bank loans	200,156	–	80,053
Convertible bonds	753,120	780,011	804,392
Amount due to a related party	2,322	–	1,340
Lease liabilities	13,940	14,429	27,448
Total	2,178,044	1,562,606	1,755,568

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39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

Fair value measurement using			
Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2023			
Bills receivables	–	7,379	7,379
Equity investments at FVTOCI	–	107,660	107,660
Total	–	115,039	115,039

Fair value measurement using			
Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2024			
Equity investments at FVTOCI	–	71,257	71,257

Fair value measurement using			
Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2025			
Bills receivables	–	2,492	2,492
Equity investments at FVTOCI	–	78,767	78,767
Total	–	81,259	81,259

As at 31 December 2023

	Valuation technique	Significant unobservable input	Increase/ (decrease) in the inputs	Sensitivity of fair value to the input
				RMB’000
Bills receivables	Discounted Cash Flow	Discount rate	1%/(1%)	(75)/75
Equity investments at FVTOCI	Comparable company model	Investment A: EV/EBITDA	5%/(5%)	2,597/(2,597)
		Investment B: P/S	5%/(5%)	1,143/(1,143)
		Investment C: P/E	5%/(5%)	705/(705)
		Discount for lack of marketability	5%/(5%)	(1,864)/1,864

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As at 31 December 2024

	Valuation technique	Significant unobservable input	Increase/ (decrease) in the inputs	Sensitivity of fair value to the input
				RMB'000
Equity investments at FVTOCI	Comparable company model	Investment A: P/B	5%/(5%)	743/(743)
		Investment B: P/S	5%/(5%)	745/(745)
		Investment C: P/E	5%/(5%)	1,161/(1,161)
		Discount for lack of marketability	5%/(5%)	(1,099)/1,099

As at 31 December 2025

	Valuation technique	Significant unobservable input	Increase/ (decrease) in the inputs	Sensitivity of fair value to the input
				RMB'000
Bills receivables	Discounted Cash Flow	Discount rate	1%/(1%)	(25)/25
Equity investments at FVTOCI	Comparable company model	Investment A: P/B	5%/(5%)	618/(618)
		Investment B: P/S	5%/(5%)	1,061/(1,061)
		Investment C: P/E	5%/(5%)	769/(769)
		Investment D: P/S	5%/(5%)	774/(774)
		Discount for lack of marketability	5%/(5%)	(1,349)/1,349

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged deposits, trade and bills receivables, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, trade and bills payables, amounts due to related parties and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of interest-bearing bank loans and convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk as at the end of each of the Relevant Periods were assessed to be insignificant.

The fair values of unlisted investments designated at fair value through other comprehensive income have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and cash equivalents, convertible bonds, and interest-bearing loans. The main purpose of these financial instruments is to support the Group’s operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables which arise directly from its operations.

The main risks arising from the Group’s financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

Foreign currency risk

The Group’s major businesses are in Chinese mainland and the majority of the transactions are conducted in RMB. Most of the Group’s assets and liabilities are denominated in RMB. The Group did not have material foreign currency risk during the Relevant Periods.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s 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 the Group’s exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year -end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	–	–	–	382,857	382,857
Financial assets included in prepayments, other receivables and other assets					
– Normal**	83,104	–	–	–	83,104
– Doubtful**	–	3,704	32,710	–	36,414
Pledged deposits	16,530	–	–	–	16,530
Cash and cash equivalents	3,659,268	–	–	–	3,659,268
Time Deposits	335,288	–	–	–	335,288
Amounts due from related parties	115	–	–	–	115
Total	4,094,305	3,704	32,710	382,857	4,513,576

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As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	555,275	555,275
Financial assets included in prepayments, other receivables and other assets					
– Normal**	8,170	—	—	—	8,170
– Doubtful**	—	1,180	31,779	—	32,959
Pledged deposits	11,815	—	—	—	11,815
Cash and cash equivalents	2,742,570	—	—	—	2,742,570
Time Deposits	1,327,742	—	—	—	1,327,742
Total	4,090,297	1,180	31,779	555,275	4,678,531

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	—	—	—	86,673	86,673
Financial assets included in prepayments, other receivables and other assets					
– Normal**	8,283	—	—	—	8,283
– Doubtful**	—	2,345	34,136	—	36,481
Pledged deposits	7,282	—	—	—	7,282
Cash and cash equivalents	3,934,244	—	—	—	3,934,244
Time Deposits	1,119,456	—	—	—	1,119,456
Amounts due from related parties	20,844	—	—	—	20,844
Total	5,090,109	2,345	34,136	86,673	5,213,263

* For trade and bills receivables to which the Group applies the simplified approach for impairment, further summary details of which are included in note 23 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 23 to the Historical Financial Information.

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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.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2023

	Within 1 year	1 to 3 years	Over 3 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables	983,094	–	–	983,094
Financial liabilities included in other payables and accruals	225,412	–	–	225,412
Interest-bearing bank loans	204,137	–	–	204,137
Convertible bonds	7,508	24,776	864,470	896,754
Amount due to related parties	2,322	–	–	2,322
Lease liabilities	4,291	4,216	8,043	16,550
Total	<u>1,426,764</u>	<u>28,992</u>	<u>872,513</u>	<u>2,328,269</u>

As at 31 December 2024

	Within 1 year	1 to 3 years	Over 3 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables	638,115	–	–	638,115
Financial liabilities included in other payables and accruals	130,051	–	–	130,051
Convertible bonds	11,406	876,982	–	888,388
Lease liabilities	3,866	5,569	6,492	15,927
Total	<u>783,438</u>	<u>882,551</u>	<u>6,492</u>	<u>1,672,481</u>

As at 31 December 2025

	Within 1 year	1 to 3 years	Over 3 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables	743,513	–	–	743,513
Financial liabilities included in other payables and accruals	98,822	–	–	98,822
Interest-bearing bank loans	81,752	–	–	81,752
Convertible bonds	13,516	864,354	–	877,870
Amount due to related parties. . . .	1,340	–	–	1,340
Lease liabilities	8,543	17,169	3,689	29,401
Total	<u>947,486</u>	<u>881,523</u>	<u>3,689</u>	<u>1,832,698</u>

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Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes 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, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. Total debt includes current liabilities and non-current liabilities. Total assets include current assets and non-current assets.

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Total debt	2,922,767	2,043,938	2,220,898
Total assets	7,323,078	7,530,184	8,487,417
Net gearing ratio	39.91%	27.14%	26.17%

41. EVENTS AFTER THE RELEVANT PERIODS

In April 2026, the Board of Directors approved final dividends of approximately RMB472.5 million in respect of the year ended 31 December 2025. This proposed dividend is subject to the approval of the general meeting of shareholders.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2025.