An [**REDACTED**] *in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to* [**REDACTED**] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the* [**REDACTED**] *of our Shares could decline, and you may lose all or part of your* [**REDACTED**]. *Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth prospects rely on industry development and consumer demand for our products. If we fail to achieve and further promote our brand recognition and the widespread market acceptance of our products, or if we fail to grow or retain our customers or consumer base, our business, results of operations and financial condition may be materially and adversely affected.

We operate in an industry that is subject to rapid changes in consumer demand and trends. The success of our business depends significantly on the continued demand for our products, which in turn depends on the level of acceptance of, and satisfaction with, our products among mass consumers, medical institutions and pharmacies within China's therapeutic dermatology and medical-grade skincare market. The industry and market for such products have been developing rapidly in recent years. However, the prospects of the industry and the market depend on factors beyond our control.

A number of factors could affect the market acceptance of our products and, in turn, our business success, including but not limited to the following: our ability to identify and address the evolving needs and preferences of our customers and consumers, part of which could in turn be impacted by the changing regulatory environment; the progress of our R&D efforts, as well as when our products commence commercialization relative to competing products; the safety and efficacy of our products and product candidates, including but not limited to the prevalence and severity of adverse drug reactions, if any; pricing and cost-effectiveness of our products relative to competing products; public perception, perceived advantages and brand recognition of our products over competing products; and effectiveness of our sales and marketing efforts and distribution network, as well as the general availability of our products relative to competing products.

If our products fail to achieve or maintain widespread market acceptance, particularly among mass consumers, medical institutions and pharmacies, or if we fail to maintain good relationships with them, our prospects may be adversely affected. Market demand for our products may also decline if competing products are perceived more favorably, more cost-effective, or otherwise render our products obsolete. Further, our brand recognition and product acceptance depend largely on our ability to anticipate and respond to changes in consumer demand and offer high-quality products. If we fail to anticipate and respond appropriately to such changes, or if consumer preferences shift away from the products we develop, manufacture, and sell, our brand recognition, results of operations and financial condition will be materially and adversely affected. We cannot assure you that our brand promotion activities and R&D efforts will be successful and will contribute to our business growth, and the resulting benefits may not always justify the relevant expenditure. In the event the demand for our products fails to grow as rapidly as anticipated, our business and results of operations may also be materially and adversely affected.

We operate in a competitive industry, and if we fail to compete successfully against our existing or potential competitors in therapeutic dermatology and medical-grade skincare industry, our sales and operating results may be negatively affected.

The therapeutic dermatology and medical-grade skincare industry is highly competitive and is characterized by evolving consumer preferences, rapid product innovation, extensive marketing efforts, and increasing acceptance of new products, therapies and solutions. We face competition from domestic and international competitors in a number of dimensions, and competition from these existing players and new market entrants is expected to continue and intensify. These dimensions of competition include but are not limited to the efficacy, functionality, quality, safety and prices of products; the availability and costs of raw materials; brand recognition, sales and marketing capabilities; R&D capabilities; ability to secure timely regulatory approvals for new products; and manufacturing capabilities. Some of our competitors may discover, develop or commercialize competing products or treatments earlier or more successfully than we do, as they may have stronger R&D and technological capabilities, products with more advanced or appealing features, a broader variety of products, more extensive or effective sales networks, or greater financial and other resources. If we fail to continuously develop, effectively promote our products, or respond to shifting consumer preferences, we cannot assure you that we will be able to compete effectively, maintain our market position, or achieve our growth objectives.

In addition, the consumer needs and preferences in China's therapeutic dermatology and medical-grade skincare market have been rapidly evolving. Existing competitors and new market entrants may be faster in identifying and capturing market trends and developing new products or updating existing products that better address market demand or industry trend, and obtain a more advantageous market position than we do, which could significantly dampen the demand for our products and cause our products to become obsolete. As a result, we cannot assure you that our endeavors in researching and developing new products and enhancing our technological capabilities will enable us to gain or maintain our competitive advantage. The intensified competition may result in increased pricing pressure, increased sales and marketing expenses, reduced profitability, and loss of market share, any of which could have an adverse effect on our prospects, business, results of operations and financial condition.

We rely on sales and marketing activities to promote our products. Failure to execute an effective sales and marketing strategy could harm our ability to increase the sales of our products and achieve broader market acceptance.

We sell our products through both online sales and offline sales. In 2023, 2024 and 2025, and for the three months ended March 31, 2026, we generated 46.4%, 57.4%, 58.0% and 61.8% of our revenue from sales of products through online sales, and 52.5%, 41.2%, 40.8% and 36.6% of our revenue from sales of products through offline sales. We aim to increase the sales of our products, achieve broader market acceptance, and maintain sustainable relationships with existing and potential customers, which will depend to a significant extent on the successful execution of the effective sales and marketing strategy. Our sales and marketing initiatives primarily include academic promotion activities, online marketing campaigns and offline marketing efforts, through which we convey scientific product knowledge, enhance brand reputation and expand customer reach. If we are unable to hire, develop and retain qualified sales and marketing personnel, if our new sales and marketing personnel are unable to achieve desired performance levels, or if we cannot maintain or strengthen our relationships with third-party industry players such as large-scale pharmaceutical commercial companies, medical institutions, pharmacies and our engagement with e-commerce platforms, we may not be able to execute our sales and marketing strategies or achieve our goals. Failure to engage in sales and marketing activities in a cost-effective manner or achieve the anticipated results from our sales and marketing activities may reduce our market share, cause our revenues to decline, negatively impact our profitability, and thereby materially harm our business, results of operations and financial condition.

We rely on third-party e-commerce platforms and social media platforms to sell our products online.

We have relied on third-party e-commerce platforms including shelf-based e-commerce platforms such as Ali Health (阿里健康) and JD Health (京東健康), as well as interest-based social commerce platforms such as Douyin (抖音), for online sales of our products. Specifically, Ali Health not only is one of our major online wholesalers but also acts as a customer and a promotional partner, which amplifies our reliance on it as both a wholesale and marketing platform. The future growth of our online operations depends on our ability to continue attracting online customers and generating new purchases from various online channels, as well as our ability to retain visitors to our websites and social media platforms. See "Business — Sales and Marketing" for more details of our approach to maintaining online presence.

If the services or operations of such platforms are interrupted, if such platforms fail to provide satisfactory customer experience and fail to attract new users and retain existing users, if our cooperation with such third-party e-commerce platforms terminates, deteriorates or becomes more costly, or if we fail to incentivize such platforms to drive traffic to our online stores on these platforms or promote the sale of our products, our business and results of operations may be materially and adversely affected. We cannot assure you that we will be able to find alternative channels on terms and conditions commercially acceptable to us in a timely manner, or at all, especially given their leading position and significant influence in China's e-commerce industry. Furthermore, any negative publicity about such third-party platforms, or any public perception of or claims against such platforms, whether meritorious, proven or otherwise, may deter visits to the platforms and result in a decline in sales of our products, which may negatively impact our business and results of operations.

In addition to our ability to maintain relationships across various third party platforms, the success of these platforms also depends on a number of factors relating to the online marketing industry and consumer behavioral patterns, including, without limitation: consumer traffic on e-commerce platforms and our ability to increase consumer traffic on our online stores and the e-commerce platforms we engage; our ability to respond to the changes in the online marketing and e-commerce industry in China; influence of online influencers on consumer preferences and our cooperation with such influencers; the reliability of the e-commerce and social media platforms; and the availability of the relevant network infrastructure, such as online or mobile payment platforms. Any negative publicity about such third-party e-commerce and social media platforms, decline in the popularity of online shopping in general or failure to identify and respond to market trends and consumer requirements in the online channels could result in decline of online customers and reduced attractiveness of our online channels. This in turn could materially and adversely affect our prospects, business, results of operations and financial condition.

Failure to maintain effective pricing strategies and any downward changes in the pricing of our products may have a material adverse effect on our business and results of operations.

We generally price our products by considering various factors, including but not limited to the market demand for our products, our costs and expenses, different positioning of product lines, prices of competing products or treatments, the overall competitive landscape, the level of local economic development, national or other third-party reimbursement practices, healthcare reform initiatives, and governmental pricing regulations. However, our pricing strategies may not be effective and competitive at all times to reflect the supply and demand of our products, which may affect our ability to capture market demand and generate revenue. With the introduction of our new products or competing products, or with voluntary price cuts by our competitors, we may be forced to lower the prices for our products. Our customers may gain more bargaining power and may demand a lower price from us, which reduces our profitability. In addition, if certain downstream customers seek to lower the prices of our products and reduce the profitability of our distributors, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors. If the PRC Government issues pricing guidance for our products, it may negatively affect the price at which we can sell our products. Although a certain portion of our products are included in the National Reimbursement Drug List ("**NRDL**"), and one of our major products was subject to national centralized procurement as of the Latest Practicable Date, we cannot assure you that the proportion of our products listed in the NRDL or subject to national centralized procurement will not change, and the price of our commercialized

products may therefore be affected by related governmental regulation or pricing limitation in the future. Any negative developments in respect of the above could result in a decline in the pricing of our products, thus materially and adversely affecting our business, financial condition, and results of operations. If we are unable to mitigate the adverse effects of such price reduction without incurring substantial expenses to improve our products, our net profit margin may decrease accordingly. Our adjusted net profit margin (non-IFRS measure) was 14.2%, 6.4%, 13.7% and 9.3% in 2023, 2024 and 2025, and for the three months ended March 31, 2026, respectively. If our products experience downward pricing pressures, we cannot assure you that we can sustain our gross profit margin levels. Any such decrease could materially and adversely affect our business, profitability, financial condition and results of operations.

Our investment in R&D may not generate expected outcomes. In addition, we may fail to realize the anticipated benefits of licensing or collaboration arrangements, which may lead to disputes with our partners.

The process of R&D activities is inherently time-consuming, costly and uncertain. Since our inception, we have been committed to the R&D relating to indication expansion, dosage-form development and specification expansion of our marketed products and pipeline candidates specialized in topical dermatology formulation science. As of the Latest Practicable Date, our R&D organization comprised over 100 professionals dedicated to topical dermatology product development. Our research and development costs were RMB48.8 million, RMB59.5 million, RMB71.0 million, RMB11.5 million and RMB10.8 million in 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, respectively. Of these research and development costs, clinical trial and technical service fees accounted for over 30% on an aggregate basis over the Track Record Period, and we plan to continue investing substantial amounts in R&D in the future. See "Financial Information — Key Components of Consolidated Statements of Profit or Loss — Research and Development Costs" and "Future Plans and Use of [**REDACTED**]" for more details. If we are unable to build stronger clinical trial R&D capabilities in the future, or if technical service R&D fails to deliver the expected results, our pipeline expansion may be constrained. We cannot assure you that our R&D efforts will deliver the intended results, including the identification of new technological opportunities, the development and adaptation of new technologies, or the timely introduction of more advanced products. Our current pipeline includes multiple products, and the success of these products primarily depends on demonstrating consistent quality and efficacy with originator drugs in the case of generics, and on ensuring clear efficacy, controllable safety and stable quality in the case of innovative drugs. Our planned pipeline will cover multiple product candidates, and the success of certain of these products may depend on our ability to initiate patent challenges or otherwise circumvent originator patents. We may also fail to obtain sufficient intellectual property protection, secure necessary regulatory approvals in a cost-effective manner, or upgrade and adopt new technologies to mitigate substitution risks. Any such shortcomings could materially harm our prospects, business, financial condition and results of operations.

We may from time to time establish or seek to enter into collaborations, primarily in R&D, such as by building strategic partnerships with multiple institutions, or by maintaining collaborations with global industry leaders and other third parties that we believe will enhance our development and commercialization of our current and future product candidates. See "Business — Research and Development" for more details. We face significant competition in seeking appropriate strategic partners, and the negotiation process is time-consuming and complex; moreover, other companies with greater resources or capabilities may outcompete us, and any collaborations we do establish may ultimately fail to deliver the anticipated benefits. The third parties we collaborate with may also fail to properly perform their contractual obligations, protect their intellectual property rights, comply with applicable regulatory requirements or ultimately yield the anticipated economic benefits. Such relationships may also require us to incur significant costs and increase our near- and long-term expenditures. Our licensing or other collaboration arrangements with partners also involve numerous risks, and are subject to significant business, economic, and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. Even if we eventually achieve the expected benefits of our licensing or collaboration arrangements, they may not be realized within the anticipated timeframe, and disputes with partners may arise. Such disputes may delay or terminate R&D or further commercialization activities or result in costly litigation or arbitration that diverts management attention and resources, adversely affecting our business development.

We may not be able to develop or commercialize new products that are competitive or successful in the markets we have entered or plan to enter in a timely manner or at all.

We are dedicated to continuously developing and commercializing new products that meet consumer demands, which are essential to our success. The success of any product candidate will depend on our ability to anticipate industry trends and market demand, complete the product development and commercialization process efficiently, minimize the costs and time for obtaining required regulatory approvals, optimize our manufacturing and procurement process, manufacture and deliver new products in a timely and commercially viable manner, anticipate and compete with our competitors, and increase customer awareness and acceptance of our new products. We cannot assure you that we can predict industry trends and market demand and be successful in developing and commercializing new products, or that we will be able to identify viable product development or commercialization opportunities. We may experience delays or terminations in any stage of product development, manufacturing, product registration and marketing.

In particular, our product pipeline includes several preclinical and clinical-stage candidates targeting therapeutic dermatology sector, all of which require relevant approval, such as IND approval and drug registration certification from NMPA or other relevant regulatory approvals. Before obtaining such regulatory approval, we must conduct clinical trials to demonstrate the safety and efficacy of the aforementioned pipeline assets. Failure to obtain regulatory approvals or registration certificates for these pipeline assets in a timely manner would hinder us from penetrating into the therapeutic dermatology and medical-grade skincare industry, which may adversely affect our business and financial performance. We may collaborate with third parties to develop new products. If we are unable to reach agreements with suitable collaborators on acceptable terms in a timely manner, or at all, we may have to curtail the product development, reduce or delay its development program or commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. We cannot assure you that we will be able to launch new products as anticipated, or that consumers will be receptive to our new products. Even if we are able to launch new products, it may take time for the new products to gain market acceptance. Our prospects, business, results of operations and financial condition could thus be adversely affected.

Our profitability may be adversely affected by fluctuations in our cost of sales and operating expenses.

We primarily procure active pharmaceutical ingredients ("**APIs**"), excipients, and packaging materials used for production from third-party suppliers, and the price and availability of these inputs are subject to fluctuations driven by supplier capacity, energy prices, and logistics disruptions. In recent years, the price of such materials used in the therapeutic dermatology and medical-grade skincare industry has fluctuated, driven by factors such as inflation, market demand and supply fluctuations. We cannot assure you that there will be no further increase in cost of materials in the future. If there is a significant increase in our cost of materials, our operations, gross profit margin and overall profitability may be adversely affected. We may not have long-term or fixed-price supply arrangements for certain key inputs, and even where such arrangements exist, they may be subject to adjustments or renewal on less favorable terms. We cannot assure you that we will be able to procure sufficient qualified materials on commercially acceptable terms, or pass any increase in input costs on to customers without adversely affecting demand. In addition, supplier quality issues, yield loss, or delivery delays could increase our material consumption and inventory holding costs, disrupt production schedules, compress gross margins and materially and adversely affect our business, results of operations and financial condition.

We expect that our results of operations will be affected by fluctuations in our cost of sales and operating expenses. Our cost of sales consists primarily of cost of materials, transportation costs, manufacturing overhead and labor costs. A significant component of our cost of sales is cost of materials, and fluctuations in the price or availability of raw materials may directly affect our operations and profitability. We have devoted significant efforts to continuously improve our production efficiency, including through upgrading our production facilities to achieve increased automation in our production processes. However, we cannot assure you that our cost-control measures will be effective or sufficient to offset potential increases in raw material, labor or other production costs, and any failure to do so could materially and adversely affect our business and results of operations.

Selling expenses are a significant component of our operating expenses. The effectiveness of our sales and marketing activities is critical to our financial performance, and our spending on sales and marketing activities has affected and is expected to continue to affect our performance. We communicate with consumers through various channels and touchpoints through online and offline marketing activities. As we increase our sales and promotion activities, we expect that our selling expenses will further increase in the future.

To continue our commitment to develop and expand our product portfolio and pipeline candidates, we have invested in R&D. As the clinical development of our product candidates progresses, we expect that we will continue to incur research and development expenses. With our expanding scale of operations, we also expect to incur additional administrative expenses. If we fail to effectively manage our cost of sales and operating expenses, there may be a material and adverse effect on our results of operations and financial condition.

Our historical business growth, revenue and profitability may not be indicative of future performance.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB1,030.6 million in 2023 to RMB1,125.7 million in 2024, and further to RMB1,323.7 million in 2025. Our revenue increased from RMB293.2 million for the three months ended March 31, 2025 to RMB336.8 million for the three months ended March 31, 2026. Moreover, our gross profit amounted to RMB740.0 million, RMB776.3 million, RMB884.1 million, RMB199.4 million and RMB222.7 million in 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, respectively, with gross profit margins of 71.8%, 69.0%, 66.8%, 68.0% and 66.1% during the same periods. However, our historical growth and profitability may not be indicative of our future performance, and we cannot assure you that this level of significant growth and profitability will be sustainable, or achievable at all, in the future.

Our ability to achieve or maintain growth and profitability will largely depend on our ability to successfully execute our development strategies, which in turn depends on a number of factors, including but not limited to our ability to: innovate and develop new technologies and products to address market demand, preferences and changes; increase market acceptance of our products; improve our reputation and brand recognition among consumers, retail pharmacies and medical institutions; assess and review our channel strategy; enhance our manufacturing capacity and efficiency; and maintain adequate control of our costs and expenses.

We may also encounter unforeseen expenses, difficulties, delays and other unknown events. We cannot assure you that we will be able to effectively manage our growth or implement our business strategies effectively, and failure to do so will adversely affect our business, results of operations and financial condition.

We rely on our in-house sales and marketing team, which primarily supports our online sales, to promote our products. Failure to execute an effective sales and marketing strategy could harm our ability to increase the sales of our products and achieve broader market acceptance.

We sell our products through both online and offline sales, and our sales team is primarily dedicated to supporting our online sales. We aim to increase the sales of our products, achieve broader market acceptance, and maintain sustainable relationships with existing and potential customers, which will depend to a significant extent on the successful execution of effective sales and marketing strategy. However, we cannot assure you that we will be able to attract, motivate and retain qualified and professional employees with requisite expertise and communicate with them effectively. If we are unable to hire, develop and retain qualified sales and marketing personnel, or if our new sales and marketing personnel are unable to achieve desired performance levels, we may not be able to execute our sales and marketing strategy or achieve our goals. See "Business — Sales and Marketing — Our Sales Network" for more details.

In addition, both our relationships with third parties such as large-scale pharmaceutical commercial companies, medical institutions and pharmacies and our engagement with e-commerce and social media platforms play an important role in our sales and marketing activities. We cannot assure you that we will be able to maintain or strengthen our relationships with these industry players. These industry players may leave the market, change their business or practice focus, cease to collaborate with us, or collaborate with our competitors for any reason. As a result, our marketing strategy and efforts may not be successful in promoting our products. If we are unable to generate returns from our relationships with these industry players as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, we have limited experience in the sales and marketing of certain of our product candidates, which include products that operate in different sub-markets to our marketed products. Upon the commercialization of our product candidates, we may fail to build a corresponding commercial team, conduct comprehensive market analysis, obtain licenses and approvals, or manage the related distributors and sales force. As a result, commercialization of our product candidates may involve more inherent risks, take comparatively longer time, and cost more. There may be circumstances during the actual sales of our future products that we did not anticipate prior to commercialization that may require us to adjust our sales and marketing strategy, recruit additional personnel or incur unforeseen costs and expenses. In such event, our business prospects and sales of the relevant products could be materially and adversely affected.

Failure to engage in sales and marketing activities in a cost-effective manner and failure to achieve the anticipated results from our sales and marketing activities may reduce our market share, cause our revenues to decline, negatively impact our profitability, and materially harm our business, results of operations and financial condition.

We depend on our distributors for a large portion of our total revenue and have limited control over them, which exposes us to significant concentration risk.

We manage a broad sales and distribution network and sell a substantial majority of our products to third-party distributors under a buy-out sales model. The distributors we engaged are offline distributors, which are primarily large-scale pharmaceutical commercial companies. We typically enter into short-term framework agreements with our distributors. We cannot assure you that any of our existing distributors will renew such framework agreements upon expiration or continue to place purchase orders with us in the future at the same level as in the current or prior periods, or at all. Should any of the distributors substantially reduce their demand for our products or terminate their business relationship with us, we may not be able to secure replacements for the lost customers or purchase orders in a timely manner or at all and may experience a decline in our sales performance. Any unexpected cessation of, or substantial reduction in, the volume of orders from any of our major distributors may have a material and adverse impact on our business, financial condition and results of operations.

As of March 31, 2026, we had 234 distributors. See "Business — Sales and Marketing" for more details. Due to the large number of our distributors, it is difficult to monitor their compliance with regulatory requirements and business practices. Non-compliance by any of our distributors with the relevant licensing requirements under applicable regulations may adversely affect the sales and distribution of our products. Further, as we rely on our distributors to manage their sales practices, we have limited control over the ultimate sales by these distributors. We cannot assure you that they will at all times comply with our sales policies, including our pricing guidance and territorial restrictions, or that they will not compete with each other for market share in respect of our products. If any of our distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions that are inconsistent with our business strategy, it may affect our future sales. Any occurrence of the aforementioned non-compliance may in turn materially and adversely affect our business, financial condition, results of operations and prospects. There were no material disputes or litigations between the terminated distributors and us during the Track Record Period and up to the Latest Practicable Date.

Additionally, some of our distributors may engage sub-distributors to further distribute our products. We do not enter into direct agreements with these sub-distributors, nor do we maintain a direct relationship with them. Any misconduct by a sub-distributor, such as violations of local laws, misleading promotional activities, or poor customer service, could harm our brand reputation, lead to customer dissatisfaction, and potentially result in legal or regulatory liabilities.

During the Track Record Period, a certain portion of our products were sold to distributors. During the Track Record Period, our revenue from sales of products by offline distributors was RMB539.7 million, RMB462.5 million, RMB540.1 million and RMB123.4 million, which approximately accounted for 52.4%, 41.1%,40.8% and 36.6% of our total revenue for the years ended December 31, 2023, 2024 and 2025, and the three months ended March 31, 2026, respectively. The performance of our distributors, including their ability to sell our products, uphold our brands and expand their sales networks, is crucial to the future growth of our business and may directly affect our sales volume and profitability. We expect our sales to distributors will, in aggregate, continue to account for a large portion of our sales for the foreseeable future. However, we cannot assure you that we can maintain our relationship with any major distributors in the future, which exposes us to significant concentration risk in relation to our total revenue. If our distributors reduce their orders from us or terminate their business relationships with us, we may not be able to secure alternative distributors with similar sales performance on terms and conditions commercially acceptable to us in a timely manner, which consequently may materially and adversely affect our results of operations and financial condition.

We are exposed to concentration risk of reliance on our major customers.

During the Track Record Period, we generated a majority portion of our revenue from our major customers. Revenue generated from our five largest customers was RMB667.8 million, RMB599.3 million, RMB706.5 million and RMB159.9 million, accounting for 64.9%, 53.2%, 53.4% and 47.5% of our total revenue in 2023, 2024 and 2025, and for the three months ended March 31, 2026, respectively. Our reliance on these major customers subjects us to concentration and counterparty risk from these customers. We cannot assure you that we will be able to maintain our relationships with our major customers in the future. Moreover, we cannot assure you that our major customers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operations or financial condition of our major customers may result in a material adverse impact on their business with us. For example, if our major customers cease to purchase our products, we may not be able to find new customers with similar levels of demand within a reasonable time period, or at all. Should any of these occur, our business, financial condition, results of operations and profitability may be adversely affected. See "Business — Our Customers" for more details.

If we fail to implement the plan to upgrade our manufacturing capabilities as planned, our business and prospects could be materially and adversely affected.

We intend to meet the growing demand for our products by expanding our manufacturing base and upgrading production lines. For example, we are simultaneously in the process of constructing our new production base in Wuxi. Such initiatives may result in an increase in our capital expenditures and depreciation costs, and thus may adversely affect our profitability, financial condition and results of operations. See "Business — Manufacturing" for more details.

We cannot assure you that our capacity upgrade plan will be successfully implemented without delays or at all. Our ability to implement our capacity upgrade plan is subject to a number of factors. Upgrading production lines may require extensive time to establish and test, and if the provider of new production lines delays their delivery, our expansion plan may be delayed. We may not be able to recruit sufficient qualified staff or establish sufficient quality control to support the increase in manufacturing capacity in a timely manner. Any failure or delay in implementing any part of our capacity upgrade plan may result in a lack of manufacturing capacity to support our growth, market expansion, and the commercialization of product candidates, which in turn could adversely affect our business, results of operations and financial condition.

Our business and reputation may be adversely affected by negative publicity involving us, the industry we operate in, our brands and products, our Shareholders, Directors, officers or employees, as well as customers, suppliers or other parties we collaborate with.

We primarily operate in the therapeutic dermatology and medical-grade skincare industry, which has from time to time been subject to negative media coverage or other negative publicity. Such negative publicity concerning the industry, whether or not directly related to us, could affect our reputation and the confidence in our brands and products. For instance, the manufacturing, sales, or use of suboptimal-quality, unlicensed or otherwise non-compliant products may have negative implications for the industry as a whole, which could adversely affect our reputation and business. In addition, we, our Shareholders, Directors, officers and employees, as well as distributors, suppliers, or other parties we collaborate with may be subject to negative media coverage and publicity or be non-compliant with laws or regulations, which could also threaten our reputation and disrupt our business operations. We may be required to devote significant time and resources and incur substantial costs to defend against such negative publicity. As a result, our business and results of operations could be materially and adversely affected.

Any negative publicity concerning us, our affiliates or any entity that we may authorize to use our brand name or that is otherwise associated with us, as well as our Shareholders, Directors, officers, employees and business partners, management, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicity about us or our Shareholders or our affiliates would not damage our brand image, and such unauthorized use of our brand names by any third parties may adversely affect the value of our brand names, reputation and business. In addition, any legal actions including litigation to enforce our rights to our brand names may involve significant costs and divert our limited resources, which may result in a material adverse effect on our business, results of operations and financial condition.

Economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations may expose us to potential compliance risks.

We are subject to economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in the countries and regions where we have business operations. Any violation of these laws or regulations could result in governmental or regulatory investigations, civil or criminal fines or other sanctions, whistleblower complaints and adverse publicity, which could have an adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and significant defense costs and other professional fees.

The United States and other jurisdictions or organizations, have, through executive orders, passing of legislation or other governmental means, implemented measures that impose economic sanctions or export control restrictions on certain countries or jurisdictions, persons or organizations within these countries or jurisdictions, or targeted industry sectors, groups of companies, or persons. There can be no assurance that we will be able to prevent or detect all inadvertent business dealings with sanctioned parties or the dispatch of freight to higher-risk or prohibited end-uses. We cannot predict the interpretation or implementation of government policies in the United States at the federal, state or local levels or any policy of other applicable jurisdictions with respect to any current or future activities by us or our business partners in countries subject to international sanctions or otherwise sanctioned, or our business activities subject to export control restrictions. As a result, we cannot assure you that our future business will be free of risk under sanctions or export control restrictions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the authorities of the United States or any other government or organization that, with or without jurisdiction over our business, assert the right to impose sanctions or export control restrictions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of the United States or any other government or organization were to determine that any of our activities constitutes a violation of the sanctions or export control restrictions they impose or provide a basis for a sanctions designation of or other restrictions on us. In addition, as many sanction programs are constantly evolving, new requirements or restrictions could come into effect, which might increase scrutiny of our business or result in additional compliance risks.

Our performance depends on our ability to retain and motivate our key personnel and employees.

Our current business performance and future success depend substantially on the abilities and contributions of our senior management members. All executive Directors and other key personnel possess industry expertise, know-how or experience in areas such as R&D, manufacturing, sales, marketing, financial management, human resources or risk management. Any loss of such personnel could materially and adversely affect our ability to sustain and develop our business. We cannot assure you that our key personnel will not join a competitor or form a competing business or will follow the terms and conditions of their employment contracts.

We manufacture substantially all of our commercialized products at our wholly-owned manufacturing facilities. Our operations and financial performance may be materially adversely affected if we experience any major disruptions, damage or destruction, including as a result of fire or other disruptions at our manufacturing facilities.

As of the Latest Practicable Date, we developed and manufactured our products at our manufacturing facilities in Wuxi, Jiangsu Province, and Chongqing. While we conduct regular checks and maintain measures to prevent disruptions, damage or destruction to our manufacturing plants, unforeseen events may occur from time to time, and the risk of any occurrence in the future cannot be completely eliminated. The level of disruption to our business may be higher if such disruption affects some, or all parts of Wuxi and Chongqing. See "Business — Manufacturing — Manufacturing Facilities" for more details. Significant unscheduled downtime at our manufacturing facilities due to equipment breakdowns, power failures, weather conditions, fire or other natural disasters could cause disruptions in our operations or delay our delivery schedules. Certain of the materials that we use for our manufacturing are highly flammable, and we are therefore subject to the risk of fire. Our current insurance coverage may not be sufficient to cover all of our potential losses, including those due to fire. If any manufacturing plant were to be damaged or cease operations, including those due to fire or other disruptions, it would temporarily reduce our manufacturing capacity and affect our ability to provide our products to our customers, which could adversely affect our sales, business, financial condition and results of operations.

We also source a portion of finished products from qualified third-party manufacturers and engage contract manufacturers to produce a portion of our products. This enables us to integrate resources and strengthen our product portfolio while maintaining flexibility and avoiding significant upfront investment in new production lines. While we apply strict selection criteria towards third-party manufacturers and ensure that all third-party manufacturers obtain valid Drug Manufacturing Certificates and GMP Certificates, the possibility of unforeseen events cannot be fully eradicated due to the inherently unpredictable nature of the future. Manufacturing facilities at third-party manufacturers may experience disruptions which lead to delay in our operation or delivery schedules.

Failure to meet or maintain compliance with relevant manufacturing standards and any other disruption or suspension of manufacturing activities may affect our revenue and profitability materially and adversely.

Our manufacturing facilities are subject to regular and unscheduled inspections by the relevant government authorities as part of the process of maintaining or renewing the permits, licenses, certificates and other regulatory filings required for our business and operations. Such inspections require us to comply with, among other things, GMP regulations of pharmaceutical products. We cannot assure you that we will be able to adequately follow and document our adherence to such GMP requirements for pharmaceutical products or other regulatory requirements. When inspecting our manufacturing facilities, the NMPA or other comparable regulatory authorities may identify deficiencies according to GMP requirements of pharmaceutical products or other regulatory requirements. Remediating deficiencies can be laborious, time-consuming and costly. Moreover, the NMPA or other comparable regulatory authorities will generally re-inspect the facilities to determine whether the deficiency was remediated to its satisfaction, and may note further deficiencies during re-inspection. We may be required to delay, suspend or cease manufacturing activities if we fail to pass these regulatory inspections, which will affect our ability to fulfill product orders and sell our products, and in turn, have a material and adverse effect on our business, financial condition and results of operations. If the operation of our manufacturing facilities is substantially disrupted, we may not be able to replace the equipment or inventories, or use different sites or a third-party contractor to continue our production in a legal, timely and cost-effective manner or at all. As a result of disruption to our manufacturing site or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenues and profitability could be materially and adversely affected. Advances in manufacturing techniques may

render our facilities and equipment inadequate or obsolete, and as a result, we may also need to develop and implement advanced manufacturing techniques and process controls in order to fully utilize our facilities, or we may need to modify our facilities or establish new facilities. If we are unable to do so, our results of operations may be adversely affected.

We have engaged and expect to continue to engage third parties to supply certain raw materials to manufacture our products, and our business could be harmed if we are unable to obtain such raw materials in sufficient quantities or at acceptable quality or prices.

During the Track Record Period, we primarily procure raw materials for our products to support product development and delivery. In 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, our cost of materials amounted to RMB238.5 million, RMB271.8 million, RMB341.9 million, RMB76.0 million and RMB91.4 million, respectively. The principal raw materials for our marketed products include APIs, excipients, and packaging materials. We have established a systematic raw material procurement management regime to ensure consistent and adequate quality of our raw materials and secure favorable supply prices over the long run. See "Business — Manufacturing — Raw Materials Suppliers and Procurement" for more details.

Despite the precautionary measures we have taken, our reliance on third-party suppliers for raw materials could lead to supply disruptions if these suppliers face operational issues, financial instability, or other unforeseen circumstances. Additionally, we have limited control over the quantity and quality of raw materials supplied by third parties. Should there be any temporary or emergent shortage in the supply of raw materials or prolonged lead times, our production could be impacted, which may result in a delay in delivery of our products, resulting in insufficient supply or reputational damage. Any compromise in the quality of these materials could impact the quality of our products, leading to potential reputational damage and loss of customer trust. Furthermore, changes in the cost of raw materials could impact our operational costs and profit margins, further materially and adversely affecting our business, financial condition and results of operations.

In addition, our suppliers may also elect to terminate our business relationship due to various reasons, including regulatory, commercial or competitive considerations. We may also have contractual or other disputes with our suppliers. Moreover, although we have implemented quality inspection procedures on such materials before they are used in our manufacturing process and require our suppliers to maintain high quality standards, we cannot assure you that we will be able to detect all quality issues in the supplies we use, that our suppliers can meet our specifications, requisite standards, attributes and other parameters and requirements that we may impose on our raw materials and other supplies, or that our suppliers will be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. We may not be able to find alternative materials or suppliers that meet our needs or secure approval for their use in a timely manner on favorable terms or at all, which could cause delays in the supply of raw materials and interruptions to our manufacturing.

Our products and product candidates face lengthy and uncertain regulatory approval processes and remain subject to ongoing compliance obligations, which may materially and adversely impact our business and prospects.

Our products and product candidates are subject to extensive and evolving regulatory requirements, both prior to and following approval, and the process of obtaining and maintaining such approvals is lengthy, costly and unpredictable. Legislative and regulatory changes may affect the approval of our pipeline assets, regulate post-approval activities, and impact our ability to profitably commercialize our products. To secure approvals, we must conduct clinical trials to demonstrate safety and efficacy, yet clinical development is inherently uncertain and may encounter unexpected events that delay or preclude approval. Even if approvals are obtained, they may be subject to limitations on indicated uses, conditions such as costly post-marketing studies, or restrictions on pricing and labeling, all of which could adversely affect commercial prospects.

We face risks of failing to meet regulatory requirements at various stages, including disagreements with authorities on trial design, insufficient or suboptimal data, failure to pass GCP or GMP inspections, or changes in approval policies that render our data inadequate. Regulatory authorities may also require additional information, or may not accept clinical trials conducted in other jurisdictions, meaning approval in one jurisdiction does not guarantee approval elsewhere.

Approved products remain subject to ongoing obligations relating to manufacturing, labeling, packaging, storage, advertising, marketing, promotion, record-keeping, and submission of post-market data. Failure to comply could result in investigations, administrative proceedings or penalties. In addition, our products are sold directly or through distributors to retail pharmacies and medical institutions, which have been under increasing scrutiny for compliance with anti-corruption and anti-bribery laws, as well as regulations on false advertising and misleading efficacy claims. Heightened enforcement in the consumer healthcare industry may increase compliance costs, expose us to liabilities and reputational risks, and negatively affect sales.

Furthermore, as we do not closely monitor or directly participate in medical treatments conducted by institutions and practitioners using our products, we may be exposed to risks associated with improper use or administration by third parties. Regulatory authorities may also revoke approvals, restrict indications to narrower populations, or impose labeling requirements that limit commercialization. Any failure to obtain or maintain approvals in a timely manner, or at all, could materially and adversely affect our business, financial condition, results of operations and prospects.

If our employees, distributors, customers, suppliers or other business partners engage in illegal, fraudulent, improper or unethical conduct, such as bribery and corruption, we may be subject to potential liability and negative publicity, and our reputation as well as business could be harmed.

We are exposed to the risk that our employees, distributors, customers, suppliers, or other business partners we have contracted may engage in illegal, fraudulent, improper or unethical conduct. Misconduct by these individuals and institutions could include intentional, reckless and/or negligent conduct that violates the relevant laws and regulations, including those requiring the reporting of true, complete and accurate information and data to regulatory authorities, data privacy and security, product quality, efficacy claims and manufacturing standards, and other relevant laws and regulations in China. Such misconduct could also involve fraud, corruption, bribery (such as offering or accepting kickbacks and rebates that may constitute bribery), tax evasion and other illegal practices. In addition, our business partners such as medical institutions and distributors may be subject to greater regulatory scrutiny in their sales and operations, in particular, their compliance with applicable anti-bribery and tax laws and regulations.

In particular, sales, marketing and other business arrangements in our industry are subject to extensive laws and regulations intended to prevent fraud, bribery, misconduct, kickbacks, self-dealing and other abusive practices. In recent years, regulatory scrutiny and enforcement in sales, marketing and other business arrangements involving medical institutions, such as hospitals, have increased, and regulations in our industry or those of our business partners may further tighten in the future. We could be potentially liable for actions taken by our employees, distributors, customers, suppliers or other business partners that violate anti-bribery, anti-corruption and other related laws and regulations in China or other countries as well as suffer from negative publicity associated with these actions, over which we may not have full control. Our employees or other third parties may fail to comply with such laws and regulations, and the relevant government authorities may interpret the laws and regulations in a manner inconsistent with our understanding, both of which may expose us to potential risks and penalties. Although we had not been subject to fines or penalties for any breach of such laws and regulations in the past, we cannot assure you that there will not be any such fines or penalties imposed on us in the future. The risk of breaches by our employees, distributors, customers, suppliers or other business partners, whether intentionally or inadvertently, may also increase in light of the recent regulatory scrutiny. We may not be able to identify and deter any misconduct by such foregoing persons, and the precautions we take to detect and prevent such misconduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could severely disrupt our business operations, or result in failure to continue the marketing and sales of our products and obtain regulatory approval for our product candidates. The government authorities may seize the products involved in any illegal or improper conduct by our employees and other third parties, and we may be subject to claims, fines or suspension of our operations. Our brands and reputation, business, results of operations and

financial condition could be adversely affected if we are associated with any potential liabilities as well as negative publicity as a result of illegal, fraudulent, improper or unethical conduct, or allegations of such, by our employees and other business partners.

Failure to maintain and predict inventory levels in line with the level of demand for our products could cause us to lose sales or face excess inventory risks, either of which could have a material adverse effect on our business, financial condition and results of operations.

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of inventory for our products to ensure prompt delivery when required. Our distributors and customers typically order our product on an order-by-order basis. We project demand for our products based on our marketing plan, our sales reports, our internal database of historical customer orders and our inventory levels. As such, we are required to maintain an appropriate level of inventory for our commercial production. In 2023, 2024, 2025 and for the three months ended March 31, 2026, our inventories were RMB98.1 million, RMB105.1 million, RMB129.6 million and RMB137.4 million, respectively. Our inventory turnover days was 116 days, 105 days, 96 days and 105 days, respectively, for the same periods. See "Financial Information — Selected Items from the Consolidated Statements of Financial Position — Inventories" for more details.

However, we maintain our inventory levels based on our internal forecasts which are inherently uncertain. If our demand forecast is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs. See "Business — Logistics and Inventory Management" for more details.

We cannot assure you that the inventory information we collect is complete and accurate or that such information would allow us to effectively manage our inventory level. If we fail to maintain and predict inventory levels in line with the level of demand for our products, our business, financial condition and results of operations will be materially and adversely affected.

Any delivery delays, improper handling or increase in transportation costs of third-party logistics service providers may adversely affect our business, financial condition and results of operations.

We rely on our third-party logistics service providers for the transportation of our products to customers. The logistics services provided by these providers may be suspended, in which case the supply of our products could be interrupted. Delayed or even lost deliveries may occur for various reasons beyond our control, including improper handling by our logistics service providers. In addition, improper handling of our products could also result in product contamination or damage, which may in turn lead to product exchanges, product liability, increased costs and damage to our reputation. Any of these circumstances would materially and adversely affect our business, financial condition and results of operations.

Our delivery and return policies for our customers may adversely affect our results of operations.

We have adopted delivery policies that do not necessarily pass the full cost of logistics onto our customers. We have also adopted customer-friendly policies, allowing customers to return products, subject to various conditions, laws and regulations. We may also be legally required to adopt new or amend existing return policies from time to time. These policies improve customers' experience and promote customer loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses. If such policies are misused by a significant number of customers or if the return rates increase beyond historical records or otherwise substantially, our costs may increase significantly, thereby materially and adversely affecting our results of operations. If we revise these policies, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

We are subject to risks relating to the warehousing of our products.

Before dispatching products to customers or distributors, we temporarily store our products in our own warehouses or those provided by third-party warehousing providers. If we or any third-party warehousing provider we engage fails to store the products under optimal conditions, such as at optimal temperatures and humidity levels, the quality and shelf-life of our products may be adversely affected. We do not maintain insurance policies covering damages to our warehouse. To ensure safety and quality of materials and products, we separate our warehouse into different segments and store materials and products separately according to their properties and uses to prevent mix-ups. However, if any accident were to occur, causing damages to the products stored in our own warehouses, we might not be able to supply products to customers or distributors in a timely manner or at all, which would adversely affect our results of operations.

We may not be able to maintain or renew necessary permits, licenses, certificates and other regulatory filings required for our business and operations.

Major aspects of our operations, including product registration or filing, manufacturing, packaging, sales and distribution, pricing, environmental protection, among other things, are regulated by comprehensive local, regional and national regulatory regimes. Such permits, licenses, certificates and other regulatory filings are subject to periodic reviews and renewals by relevant government authorities, and the standards of such reviews and renewals may develop from time to time. Although we had obtained all licenses, permits, certificates and other regulatory filings necessary to conduct our operations in all material respects from the relevant government authorities in China as of the Latest Practicable Date, we cannot assure you that such authorities will approve the application for such licenses, permits, certificates and other regulatory filings or their renewal in the future.

The process of obtaining regulatory approvals and maintaining compliance with applicable laws and regulations in different jurisdictions requires significant time and financial resources. Failure to comply with applicable regulatory requirements in the jurisdictions where we operate or target to operate in the future, at any time during the drug development, approval or post-approval stages, may subject us to administrative or judicial sanctions. Any occurrence of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with PRC laws and regulations relating to social insurance and housing provident fund contributions may adversely affect our business and financial performance.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance premiums and housing provident fund contributions for employees. During the Track Record Period, we had not made social insurance and housing provident fund contributions for some of our employees in full in accordance with the relevant PRC laws and regulations, and a few of our PRC entities engaged third-party human resources agencies to handle social insurance and housing provident fund payments for their employees. During the Track Record Period and up to the Latest Practicable Date, we had not received any material administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. However, we cannot assure you that any new PRC laws and regulations or any changes in the implementation of the existing PRC laws and regulations will not require us to pay any contribution shortfall or impose late payment penalties and fines on us, thereby adversely affecting our results of operations and financial condition.

Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business and financial performance.

As of the Latest Practicable Date, one property leased for staff dormitory purposes had not obtained the real property ownership certificate, and we had not completed lease registration filing with the relevant housing administrative authorities in respect of this property. In addition, we had not completed lease registration filings with the relevant housing administrative authorities for two other leased properties. As advised by our PRC Legal Advisor, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities; however, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, and we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to comply. If any government action is taken, we may be required to rectify any non-compliance or relocate our operations, which could adversely affect our financial position and results of operations.

We may be involved in lawsuits, claims, governmental investigations or administrative proceedings, which could adversely affect our business, results of operations, financial condition and reputation.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our own employees, suppliers, customers, contractors, consumers, licensors, business partners and other third parties that we engage for our business operations, whether they are directly related or attributable to us. As of the Latest Practicable Date, we were not involved in any litigations or legal proceedings that might materially affect our business operations. Pending or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs, and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake, and the parties involved. If we are alleged to have infringed the intellectual property rights of our business partners or any third parties, we may be subject to injunctions or other temporary orders pending the resolution of such allegations, which could delay or even prevent us from the development and commercialization of affected products or product candidates, despite the outcome of the litigation. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities, and even suspend or terminate the affected business projects. Disputes with our business partners, including those relating to the R&D, intellectual property rights and commercialization of our product candidates, could also lead to the loss of rights relating to the affected products or product candidates and deterioration or termination of business relationships. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect our brand image. Consequently, our business, results of operations and financial condition may be materially and adversely affected. In addition, any quality issues related to our products could result in a loss of customers and sales and may subject us to product liability claims.

We may not be able to adequately protect our intellectual property rights. Infringement or misappropriation of intellectual property rights, including the breach of confidentiality obligations, could harm the value of our brands and adversely affect our business.

Our success depends partially on our ability to protect our proprietary technology, products and product candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We rely on trademarks and patents we use to protect our brands and proprietary information, technologies and processes. Establishing and maintaining protection of our intellectual property rights and other intangible assets is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a

timely manner. We may also fail to timely identify patentable aspects of our R&D output, consequently losing patent protection to prevent competitors from developing and commercializing competitive products in all such fields and territories. Any loss of patent protection could have a material adverse impact on one or more of our major products and technologies and our business. As of the Latest Practicable Date, we owned 238 registered patents in China and one registered patent in the United States, and 130 patent applications in China and two patent applications in the United States. We owned three patent applications in Europe and nine PCT patent applications. As of the same date, we had 1,231 registered trademarks globally. See "Business — Intellectual Property" for more details.

Obtaining and maintaining our patent protection depends on compliance with various procedural requirements imposed by government patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements or changes in patent law of China, or other jurisdictions. Any non-compliance event could result in abandonment or lapse of a patent or patent application. We did not experience any material failure to comply with these requirements during the Track Record Period. However, we cannot assure you that such non-compliance will not occur, in which case our competitors might be able to enter the market, which would have a material adverse effect on our business.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products and product candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or including such undertakings in the agreement with parties such as our employees and collaborators. However, parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim against a party that illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming with unpredictable outcome.

Our trademarks are valuable assets that support our brands and consumers' perception of our products. Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion.

In addition, we or our licensing partners may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents, patent applications, trade secrets or other intellectual property. If we or our licensing partners are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which our owned or the in-licensed intellectual properties are subject, or otherwise if we or our licensing partners breached licensing agreements, we may lose valuable intellectual property rights through the loss of one or more patents or patent applications, or our patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our licensing partners are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership. If we or our licensing partners are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to cease the development, manufacture and commercialization of one or more of our product candidates. The loss of exclusivity or the narrowing of our or our licensing partners' patent claims could limit our ability to stop others from using or commercializing similar or identical product candidates. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations or prospects. Even if we are successful in any disputes relating to priority rights, validity, ownership or inventorship, such proceedings could result in substantial costs and divert the attention of our management and employees.

Our efforts to enforce or protect our proprietary rights may be ineffective and we may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful. As of the Latest Practicable Date, we were not involved in any material proceeding where a third party challenged the validity or enforceability of our patents that had or was expected to have any material impact on our business. However, we cannot assure you that we will not be subject to such proceedings in the future.

Any discontinuation, reduction or delay in payment of any government grants, or preferential tax treatments may have an adverse impact on our business.

During the Track Record Period, we benefited from certain government grants and preferential tax treatments. In 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026, we recorded government grants in other income of RMB13.7 million, RMB14.4 million, RMB24.9 million, RMB3.4 million and RMB5.1 million in the same periods, respectively. During the Track Record Period, our PRC subsidiaries were subject to the PRC enterprise income tax ("**EIT**") at a rate of 25%, except that under the PRC Enterprise Income Tax Law (the "**EIT Law**") and Implementation Regulation of the EIT Law, certain subsidiaries were accredited as "High and New Technology Enterprises" and were therefore entitled to a preferential income tax rate of 15% during the Track Record Period, and certain subsidiaries were entitled to a preferential EIT at a rate of 5% as they were accredited as small and micro business. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations. We cannot assure you that we will continue to receive government grants, or preferential tax treatments at the same level or at all, in which case our business, financial condition and result of operations may be adversely affected.

We are exposed to credit risks related to our trade receivables.

We generally grant a credit period to counterparties of 30 to 90 days from the date of billing. Our trade receivables as of December 31, 2023, 2024, 2025 and March 31, 2026 amounted to RMB57.1 million, RMB69.3 million, RMB38.6 million and RMB60.0 million, respectively. In 2023, 2024, 2025 and for the three months ended March 31, 2026, our trade receivables turnover days were 22 days, 20 days, 15 days and 13 days, respectively. We recognized impairment losses on trade and bills receivables in 2024 and for the three months ended March 31, 2026. Our senior management regularly reviews the recoverability of overdue balances of trade receivables and may make impairment provision when needed. As there is limited financial or public information on many of our counterparties, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfill their obligations to us under our contracts.

The possible impairment losses on goodwill and intangible assets may adversely affect our results of operations and financial condition.

As of December 31, 2023, 2024, and 2025 and March 31, 2026, we had goodwill of RMB28.2 million, RMB1.3 million, RMB1.3 million and RMB1.3 million, respectively. Our goodwill mainly arose from the acquisition undertaken to advance our strategic layout. Our goodwill is tested annually for impairment, or more frequently when there is indication that it might be impaired. In addition, we make certain assumptions when assessing the value of our goodwill, including assumptions on impairment testing. There are inherent uncertainties relating to these assumptions. We cannot assure you that our assumptions will prove to be correct. Any such change in our assumptions may require us to revalue our goodwill, which may in turn result in impairment losses. Significant impairment losses on goodwill may have a material adverse effect on our financial condition and results of operations and may in turn limit our ability to obtain financing in the future.

Our intangible assets mainly consisted of our capitalized development costs, patents, licenses and other intellectual property rights. Our intangible assets amounted to RMB79.4 million, RMB74.6 million, RMB82.0 million and RMB82.0 million as of December 31, 2023, 2024 and 2025 and March 31, 2026, respectively. We determine the estimated useful lives and related amortization for our other intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the

use of these assets. Our management will revise the amortization charges where useful lives are different from those previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods. In addition, if any of the estimates does not materialize, or if the performance of our business is not consistent with such estimates, we may be required to have a significant write-off of our other intangible assets and record an impairment loss, which could in turn adversely affect our results of operations and financial condition.

Our business may be subject to risks associated with seasonality.

In line with China's therapeutic dermatology and medical-grade skincare industry, our products generally experience higher customer demand in the second and fourth quarters of the calendar year. As a result, our revenue, results of operations and financial condition may fluctuate significantly from period to period, and the operating and financial results for any reporting period may not be indicative of our overall performance. In addition, our costs and expenses do not necessarily correspond with the timing of our revenue recognition. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition in the future.

Our information technology systems are critical to our business. System integration, implementation issues or security breaches could disrupt our operations.

We rely on the efficient and uninterrupted operation of information technology systems. All information technology systems are vulnerable to damage or interruption from a variety of sources. As our business has grown in size and complexity, the growth has placed, and will continue to place, significant demands on our information technology systems. We expect to continue to make significant investments in maintaining, protecting and upgrading our technology infrastructure.

Since information systems, networks and other technologies are critical to many of our operating activities, system shutdowns or service disruptions and information leakage affecting our Company or suppliers that provide information systems, networks, or other IT services to us pose increasing risks. Such events may be caused by computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and confidential information, damage to our IT systems, a disruption of our operations, damage to our reputation or loss of revenue. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

If a material breach of our information technology systems or those of our suppliers occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices.

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

We are subject to numerous environmental, health, and safety laws and regulations. Our operations produce solid waste and certain other pollutants. We generally enter into contracts with qualified third-party institutions to collect, transfer or dispose of relevant waste and pollutants. However, we cannot completely eliminate the risk of accidental contamination or personal injury from the use, storage, or disposal of such materials. In the event of such an accident, we could be held liable for any resulting damages, and incur costs associated with civil or criminal fines and penalties.

As awareness of ESG issues continues to grow, there is a potential for the introduction of stricter laws and regulations relating to waste, greenhouse gas emissions and environmental protection. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. See "Business — Environmental, Social and Governance" for more details of our measures to ensure our compliance with the ESG-related laws and regulations. However, we cannot assure you that these risk management measures can effectively mitigate the relevant risks and help us to navigate the evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business, results of operations and financial performance may be adversely affected.

Our insurance coverage may be inadequate to protect us from the liabilities we may incur.

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We maintain different types of insurance policies, including clinical trial liability insurance, safety production liability insurance, and property all risks insurance. See "Business — Insurance" for more details. In line with industry practice in China, we have elected not to maintain certain types of insurances such as business interruption insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

Our business is affected by changes in economic, political or social conditions or government policies of jurisdictions where we operate.

Our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in jurisdictions where we operate, primarily China. See "Regulatory Overview" for more details. Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, complying with which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be affected.

We operate in an industry that is strictly regulated and evolving in China. Developments in such regulations may affect the approval and commercialization of our product candidates or cause us to be subject to new or more stringent policies.

The therapeutic dermatology and medical-grade skincare industry in China is subject to comprehensive government regulation and supervision, which include strict policies that govern and encompass the approval, registration, manufacturing, packaging, licensing and marketing processes for the relevant products within these industries.

We are subject to laws and regulations relating to drugs, which mainly include the Drug Administration Law (《藥品管理法》), the Drug Registration Regulation (《藥品註冊管理辦法》), Good Laboratories Practice for Non-Clinical Laboratory Studies of Drugs (《藥物非臨床研究質量管理規範》), the Drug Administration Law and Measures for the Supervision and Administration of Drug Production (《藥品生產監督管理辦法》), the Good Manufacturing Practice for Pharmaceutical Products (《藥品生產質量管理規範》), the Administrative Regulations for the Contract Manufacturing of Drugs (《藥品委託生產監督管理規定》), the Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》), and the Measures for the Supervision and Administration of Drug Supply and Usage (《藥品經營和使用質量監督管理辦法》). See "Regulatory Overview — Laws and Regulations Relating to Drugs" for more details.

We currently conduct our R&D and commercialization activities in China, which regulates these activities in great depth and detail and makes regulatory compliance complex and costly. The process of obtaining regulatory approvals and complying with appropriate laws and regulations requires substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or post-approval process, such as manufacturing, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, voluntary or mandatory product recalls, product seizures, total or partial suspension of manufacturing or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Failure to comply with these regulations may cause us to incur additional compliance costs. We cannot assure you that we, our customers and other business partners will always be able to comply with the laws and regulations in a timely manner or at all. Our customers and other business partners may not be able to comply with the regulatory requirements, and we may have to terminate our collaboration with them. They may also terminate collaborations with us if we fail to comply with relevant requirements. As a result, we may experience a decline in revenue, incur higher expenditures, and be subject to negative publicity, all of which will adversely affect our business, results of operations and financial condition.

Failure to comply with or adapt to changes in laws in relation to data protection could materially and adversely harm our business.

The access, collection, use, storage, sharing, transfer, disclosure and security of data are highly regulated in China. Any failure to comply with these laws, regulations or policies may result in inquiries and other proceedings or actions against us by government authorities or others, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose customers. For example, on December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which, the purchase of network products and services by a Critical Information Infrastructure Operator (the "**CIIO**") or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country (國外上市) must be subject to the cybersecurity review. Although there has been no further explanation or interpretation for "foreign listing" under the aforementioned regulation, based on the interview position of the China Cybersecurity Review, Certification and Market Regulation Big Data Center (the "**CCRC**"), listing in Hong Kong does not fall under the category of "foreign listing." In addition, the revised Cybersecurity Review Measures grant the governmental authorities the discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security. Therefore, we cannot rule out the possibility that the relevant government authorities may conduct cybersecurity review on us accordingly. If a cybersecurity review for any of our activities is required, we will actively cooperate with the CAC to conduct such cybersecurity review. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing.

On September 30, 2024, the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》) (the "**Data Security Regulations**") was published by the State Council, which took effect on January 1, 2025. The Data Security Regulations reiterate and refine the general regulations for cyber data processing activities and rules of personal information protection, important data security protection, cyber data cross-border transfer security management, and the responsibilities of online platform service providers. In particular, the Data Security Regulations provide that cyber data processors whose cyber data processing activities affect or may affect national security shall be subject to national security review in accordance with the relevant regulations. However, the Data Security Regulations provide no further explanation or interpretation for the criteria on determining the risks that "affect or may affect national security." Also, since the Data Security Regulations are still relatively new, the interpretation and implementation of these regulations may further evolve and develop.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "Security Assessment Measures"), which took effect on September 1, 2022. The Security Assessment Measures require that any data processor that processes or exports personal information exceeding a certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, we had not been involved in any cross-border transfer of important data or large amounts of personal data during our daily business operations that may warrant a security assessment by regulatory authorities. However, we cannot assure you that relevant regulatory authorities will take the same view. In the event that the regulatory authorities deem certain of our activities to constitute cross-border data transfers, we will be subject to the relevant requirements. To the extent new laws and regulations are enacted or promulgated, or new interpretations and applications of existing privacy and data protection laws or regulations are adopted, our access to and use of certain data could be further restricted, and we may be required to implement new or enhanced security measures. As a result, we may be subject to additional filing, assessment or corporate governance requirements, which may incur additional costs and be time-consuming. Failure to meet such requirements may lead to consequences such as discontinuation of our products, penalties, liabilities or negative publicity. Any additional enactment or promulgation of such laws or regulations may, among other things, substantially escalate our compliance costs.

We also outsource a certain portion of clinical trials to reputable third parties in China. If such institutions or personnel divulge the subjects' private or medical records without their consent, they will be held liable for damage caused by such action. Any leakage or abuse of subjects' data by our third-party partners may be perceived by the subjects as a result of our failure. Data protection and privacy laws and regulations generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enrolled subjects and prohibit unauthorized disclosure of personal information. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our clinical trial practices. Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure or perceived failure by us to comply with privacy policies, laws or regulations could have a negative impact on our business.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Most of our operating subsidiaries and their respective assets and a substantial portion of our assets are located within Chinese Mainland. As a result, it may not be possible to effect service of process outside Chinese Mainland upon all our operating subsidiaries and officers, or enforce judgments against our operating subsidiaries or officers located in Chinese Mainland. In particular, China does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan, or many other countries.

On July 14, 2006, Hong Kong and Chinese Mainland entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Chinese Mainland. Similarly, a party with a final judgment rendered by a Chinese Mainland court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese Mainland court is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People's Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong SAR and Chinese Mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement, and the New Arrangement has superseded the Arrangement.

The Arrangement was superseded upon the effectiveness of the New Arrangement on January 29, 2024 but remained applicable to a "written choice of court agreement" entered into before the New Arrangement taking effect. However, the New Arrangement does not apply to certain judgments of civil and commercial matters. Furthermore, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in the PRC.

We are required to comply with the drug advertising laws and regulations applicable to our business.

We advertise our brands and products through various online and offline channels, primarily including e-commerce platforms and large-scale pharmaceutical commercial companies, which is subject to the applicable PRC laws and regulations. See "Business — Sales and Marketing — Offline Sales — Sales to Distributors" for more details. The Interim Administrative Measures for the Review and Management of Advertisements for Drugs, Medical Devices, Functional Foods and Foods for Special Medical Purpose (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) provide that advertisements for drugs shall not contain any false or misleading contents. Advertisers shall be responsible for the veracity and legitimacy of the contents of advertisements for drugs, medical devices, health food and formula food for special medical purposes.

If we are found to be in violation of any of such laws and regulations in the future, we may face serious penalties, including fines, revocation of our business licenses and discontinuance of our advertising activities. Moreover, governmental actions and civil claims may be filed against us for misleading or inaccurate advertising. Furthermore, if our employees or the third-party service providers we engage fail to comply with such laws and regulations, or the relevant government authorities, who have broad discretions in interpreting the laws and regulations, ultimately take a view that is inconsistent with our understanding in the process of administrative law enforcement, we may be subject to potential risks and penalties. We may have to spend significant resources in defending against such actions, and these actions may damage our reputation, result in reduced revenue, and negatively affect our results of operations.

We are a Chinese Mainland enterprise and we are subject to Chinese Mainland tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to Chinese Mainland income taxes.

Under applicable PRC tax laws and regulations, including the EIT Law, the IIT Law and their implementation rules, and subject to any applicable tax treaty or similar arrangement, dividends paid by PRC resident enterprises to non-PRC resident investors and gains realized by such investors from the transfer of shares of PRC resident enterprises may be subject to PRC income tax. Certain preferential withholding tax treatments may apply to non-PRC resident individual holders of H Shares. See "Regulatory Overview" for more details. As of March 31, 2026, PRC tax rules had not expressly provided that individual income tax would be imposed on gains derived by non-PRC resident individuals from the transfer of shares of PRC resident enterprises listed on overseas stock exchanges. If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident [**REDACTED**], the value of your [**REDACTED**] in our H Shares may be adversely affected. In addition, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to a number of environmental, health and safety laws and regulations, including but not limited to the treatment and discharge of pollutants into the environment in the process of our business operations. See "Regulatory Overview" for more details. In addition, our production lines can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities in China or certain other jurisdictions. We cannot assure you that we will be able to obtain all the regulatory approvals for our production in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our abilities to develop, manufacture and commercialize our products as we plan. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations.

Regulations on currency conversion may adversely affect the value of your [REDACTED], and payment of dividends is subject to restrictions under PRC law and regulations.

The convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of Chinese Mainland, are subject to restrictions under the relevant laws and regulations. A substantial majority of our future revenue is expected to be denominated in Renminbi, and we will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated obligations.

Under existing foreign exchange regulations, payments of current account items, including the payment of dividends, interest payments, and expenditures from the transaction, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of Chinese Mainland to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. Further, there may be government policies that restrict access to foreign currencies for current account transactions. If the foreign exchange regulation system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due or to pay dividends in foreign currencies.

Dividends payable by us to our foreign [REDACTED] and gains on the sale of our H Shares may become subject to withholding taxes under PRC tax law.

Under the EIT Law and its implementation regulations issued by the Standing Committee of the National People's Congress, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC "resident enterprise" to investors that are "non-resident enterprises" (those enterprises established under foreign law with its respective effective place of management outside of the PRC, but have an establishment or place of business within the PRC, or those that do not have an establishment or place of business in the PRC but have income originating from the PRC) to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such enterprises is also subject to 10% EIT if such gain is regarded as income derived from sources within the PRC. One example of a limitation on the 10% withholding tax is that, pursuant to a tax treaty between the PRC and Hong Kong, which became effective on December 8, 2006, a company incorporated in Hong Kong is subject to withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% or greater interest in the PRC company, or 10% if it holds an interest of less than 25% in the

PRC company. If we are required under the EIT Law to withhold EIT on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your H Shares, the value of your [**REDACTED**] in our H Shares may be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

No [REDACTED] currently exists for our Shares; an active [REDACTED] for our Shares may not develop and the [REDACTED] for our Shares may decline or become volatile.

Prior to the [**REDACTED**], there has been no [**REDACTED**] for our Shares. The initial [**REDACTED**] for our Shares was the result of negotiations between our Company, the [**REDACTED**] and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] for our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of and permission to [**REDACTED**] our Shares on the Hong Kong Stock Exchange. We cannot assure you that the [**REDACTED**] will result in the development of an active, liquid [**REDACTED**] for our Shares.

The [**REDACTED**] and [**REDACTED**] of our Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the [**REDACTED**] and [**REDACTED**] at which our Shares will [**REDACTED**].

In addition, the Hong Kong Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Hong Kong Stock Exchange. As a result, [**REDACTED**] in our Shares may experience volatility in the [**REDACTED**] of their Shares and a decrease in the [**REDACTED**] of their Shares regardless of our operating performance or prospects.

The [REDACTED] and [REDACTED] of our Shares may be volatile, which could lead to substantial losses for [REDACTED].

The [**REDACTED**] and [**REDACTED**] of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaged in similar business may affect the [**REDACTED**] and [**REDACTED**] of our Shares. In addition to market and industry factors, the [**REDACTED**] and [**REDACTED**] of our Shares may be highly volatile for specific business reasons, such as regulatory developments affecting the therapeutic dermatology and medical-grade skincare industry and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in [**REDACTED**] not directly related to our performance.

You will incur immediate and substantial dilution and may experience further dilution in the future.

In order to expand our business, we may consider [**REDACTED**] and [**REDACTED**] additional Shares in the future. [**REDACTED**] of the Shares may experience dilution in the net tangible asset value per share of their Shares if we [**REDACTED**] additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may [**REDACTED**] Shares pursuant to the share incentive schemes, which would further dilute Shareholders' interests in our Company.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you that we will declare and distribute any amount of dividends in the future.

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

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

Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [**REDACTED**] or even maintain the price at which you purchased the Shares. You may not realize a return on your [**REDACTED**] in our Shares and you may even lose your entire [**REDACTED**] in our Shares.

Future sales or perceived sales of substantial amounts of our Shares in the [REDACTED] could materially adversely affect the prevailing [REDACTED] of our Shares and our ability to raise capital in the future.

Prior to the [**REDACTED**], there has not been a [**REDACTED**] for our Shares. Future sales or perceived sales by our existing Controlling Shareholders of our Shares after the [**REDACTED**] could result in a significant decrease in the prevailing [**REDACTED**] of our Shares. Only a limited number of the Shares currently outstanding will be available for [**REDACTED**] or [**REDACTED**] immediately after the [**REDACTED**] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the [**REDACTED**] or the perception that these sales may occur could significantly decrease the prevailing [**REDACTED**] of our Shares and our ability to raise equity capital in the future.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the [**REDACTED**] from the [**REDACTED**] for purposes including funding the R&D activities for our pipeline products, expanding our manufacturing capacities and capabilities, expanding our marketing network and strengthening our brand image, and investing in digitalizing our operations and information systems. See "Future Plans and Use of [**REDACTED**]" for more details. However, our management will have discretion as to the actual application of our [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [**REDACTED**] from this [**REDACTED**].

Facts, forecasts and statistics in this document relating to the PRC economy and the industry that we operate in may not be fully reliable.

Facts, forecasts and statistics in this document relating to the industry in which we operate are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Sole Sponsor, [**REDACTED**] nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this document relating to the markets we operate in may be inaccurate, and you should not place undue reliance on them. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risks and uncertainties, are subject to change based on various factors, and should not be unduly relied upon.

You should read the entire document carefully and only rely on the information included in this document to make your [REDACTED] decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

There may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], which contains, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document and any formal announcements made by us in Hong Kong in making your [**REDACTED**] decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective [**REDACTED**] should not rely on any such information, reports or publications in making their decisions as to whether to [**REDACTED**] in our [**REDACTED**]. By applying to purchase our Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

Forward-looking information in this [REDACTED] document may prove inaccurate.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would," and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. See "Forward-looking Statements" for more details.

Such forward-looking statements reflect current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this document. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. [**REDACTED**] should not place undue reliance on such forward-looking statements and information.