

BUSINESS

OVERVIEW

Who We Are

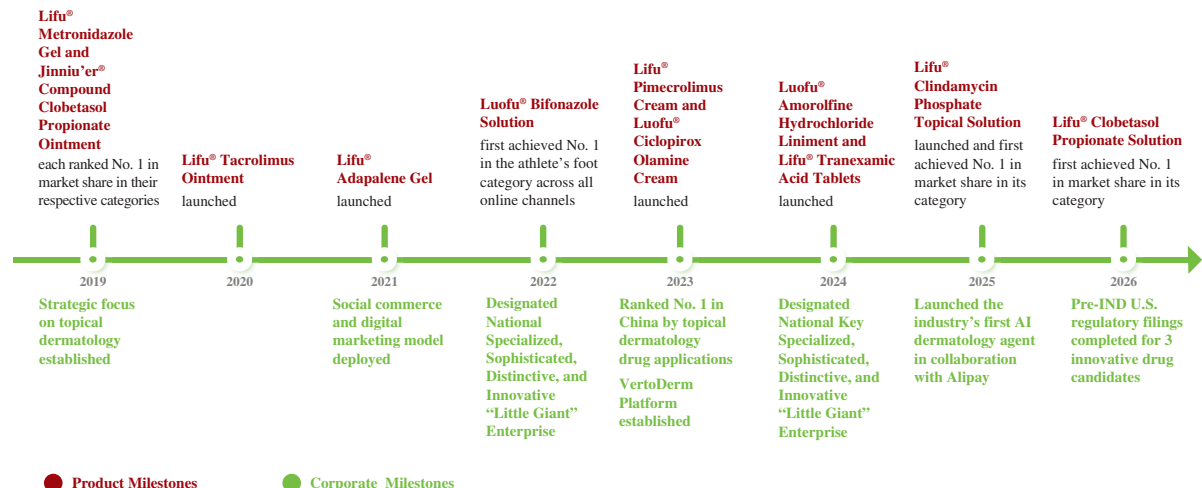
We are a specialized topical dermatology pharmaceutical company in China, with category-leading products across multiple therapeutic areas, providing comprehensive “head-to-toe” coverage across dermatological pharmaceuticals and medical-grade skincare products. Our business is built around a distinctive feature of dermatology: patients often identify symptoms, evaluate treatment options, make purchase decisions and engage in long-term self-care with a high degree of autonomy. Each stage of this process is increasingly conducted through digital channels. We were early to recognize this user-centric reality and build our business model around it. The result is a product engine that delivers repeatable commercial success: by combining data-driven user demand insight, clinically grounded product development, versatile topical manufacturing, an omnichannel commercialization network with 30-minute delivery capabilities, and real-world usage data that feeds back into user demand insight, we move rapidly from user need to product launch, and from product launch to market leading products across a broad range of therapeutic categories.

According to Frost & Sullivan, we have established the broadest coverage of high-prevalence skin indications in China, leading the market in conditions with annual patients exceeding 20 million. As of the Latest Practicable Date, we had commercialized over 50 products across our six core therapeutic areas, submitted clinical trial applications for three innovative drug candidates in China, all of which have received IND approval, and have also completed pre-IND U.S. regulatory filings for three candidates. According to Frost & Sullivan, we ranked first in China by both the total number of topical dermatology drugs submitted and approved for marketing authorization over the three years preceding the Latest Practicable Date. Five of our products — Lufu® Bifonazole Solution, Lifu® Metronidazole Gel, Lifu® Clindamycin Phosphate Topical Solution, Lufu® Ciclopirox Olamine Cream and Jinniu’er® Compound Clobetasol Propionate Ointment — ranked first across all channels, and an additional three — Lifu® Adapalene Gel, Lifu® Pimecrolimus Cream and Lifu® Tranexamic Acid Tablets — ranked first by online sales, in their respective categories in 2025.

We have also demonstrated consistency in the speed with which we can establish category leadership with the products we launch. Among our category-leading products in 2025, those launched during the Track Record Period reached their top positions online with notable speed: Lifu® Clindamycin Phosphate Topical Solution and Lufu® Amorolfine Hydrochloride Liniment each did so within 3 months of launch; Lufu® Ciclopirox Olamine Cream within 5 months; Lifu® Pimecrolimus Cream within 7 months; and Lifu® Tranexamic Acid Tablets within 12 months — while Lufu® Bifonazole Solution and Lifu® Metronidazole Gel were already No. 1 market leaders before the Track Record Period, and Jinniu’er® Compound Clobetasol Propionate Ointment is our proprietary exclusive drug.

Our commitment to clinical innovation focused on serving real user needs has earned us recognition from government authorities and industry bodies alike: we were designated a National Specialized, Sophisticated, Distinctive, and Innovative “Little Giant” Enterprise in 2022 and a National Key Specialized, Sophisticated, Distinctive, and Innovative “Little Giant” Enterprise in 2024, and were approved in 2024 to establish a post-doctoral research station dedicated to dermatology. We have also established a joint laboratory with the Jiangsu Institute for Drug Control, as well as joint technology development platforms with Lubrizol in dermatological excipients and Logan Instruments, in transdermal analysis.

The following chart sets forth key milestones in the development of our Company and product portfolio:



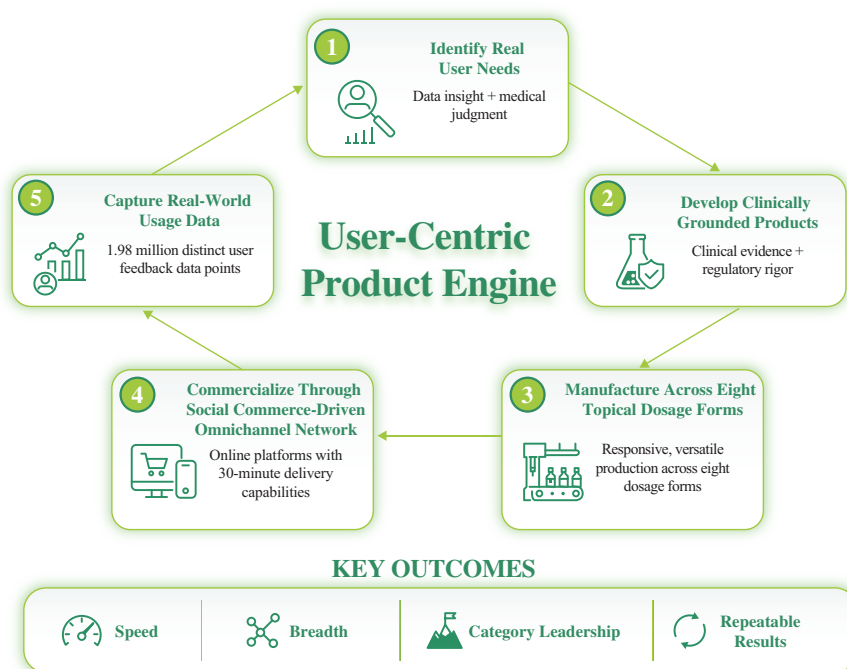
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Our User-Centric Product Engine

The user-centric nature of topical dermatology has fundamental implications for how a company in this space must be built. Unlike many pharmaceutical categories where competitive advantage is determined primarily by the underlying active ingredient, topical dermatology is a category in which patients play a critical role in identifying their condition, evaluating available options, making purchase decisions and managing their own long-term treatment with a high degree of autonomy and increasingly conduct each stage of this process through digital channels. This means that the success of a product depends not only on its active ingredient, but also delivery design, skin feel, tolerability, and ease of application, which all directly determine patient adherence, impacting whether a product succeeds clinically and commercially.

These structural realities dictate the architecture of our user-centric product engine, a self-reinforcing cycle that operates across the full dermatology value chain. We combine data-driven user demand insight, clinically grounded product development, versatile topical manufacturing and omnichannel commercialization to move rapidly from the identification of a user need to a market-leading product — and then capture real-world usage data to feed back into the next iteration of the cycle.

The following diagram illustrates how our user-centric philosophy underpins our product engine and supports speed, breadth and category leadership:



Rapid Identification of User Demand. We employ a methodology that simultaneously cross-references clinical guidelines and real-world user behavior to identify unmet needs and formulation gaps ahead of broader market awareness. Our teams monitor disease awareness trends, search intent, content engagement and user feedback across major digital platforms, and we have access to approximately 1.98 million user product reviews that we analyze in real time to generate actionable insight into usage patterns, tolerability signals and evolving user preferences within each therapeutic area. This demand intelligence infrastructure allows us to compress the time between identifying a market gap and initiating a clinical development response, underpinning our track record of reaching category leadership rapidly and consistently across our six therapeutic areas.

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Clinical-Oriented Research and Development. Our R&D is anchored in clinical value — identifying where genuine improvement in efficacy, tolerability or patient adherence is achievable, and then engineering formulations to deliver it. The primary vehicle for that engineering is our proprietary VertoDerm Platform, a dosage-form-agnostic, polymer-based topical delivery system. Operating through five functional modules — controlling drug release, retention, permeation, dispersion and stability at the target site — the platform can be adapted to the physicochemical properties of different active ingredients, the barrier characteristics of different anatomical sites and the requirements of different clinical use scenarios. It has been validated across skin, scalp, foot and nail indications, supported by project-level formulation patents and approved clinical trials, and is designed to improve local drug exposure, reduce systemic absorption, extend retention time, enhance formulation stability and address patient adherence — the clinical dimensions where topical drugs most commonly fail to translate laboratory performance into real-world results. Complementing the VertoDerm Platform, our D³-PK capability enables us to verify drug distribution across skin layers before committing to human clinical trials, screening out formulations that appear equivalent on paper but fail to deliver at the target site, thereby improving the success rate and efficiency of research and development.

Versatile and Responsive Manufacturing. We are vertically integrated across topical manufacturing and produce across eight dosage forms — solutions, gels, creams, ointments, liniments, paints, lotions and sprays — allowing us to match any new user need we identify to an optimal delivery format for the relevant anatomical site and usage scenario, unconstrained by manufacturing limitations. Our facilities employ digitalized process control systems across Supply Chain Management (“SCM”), warehouse management, process validation, document management and drug traceability, enabling full lifecycle traceability and consistent quality at commercial scale. Our manufacturing is engineered specifically for the complexity of topical formulations and carries sufficient operational capacity to support our planned launch of 15 to 20 new products over the next three to five years.

Social Commerce-Driven Omnichannel Commercialization. We commercialize our products through an integrated omnichannel network spanning hospitals, retail pharmacies and online platforms — including on-demand delivery platforms with 30-minute fulfillment capabilities — enabling us to align our distribution footprint with how topical dermatology users actually search for and access products, and gain valuable insights through continually monitoring content trends and user sentiment on these platforms. These insights, along with the breadth of our portfolio covering high-prevalence indications across anatomical sites and usage scenarios, help increase the visibility of our products when users search for relevant solutions. As professional content drives disease awareness, we efficiently capture the resulting organic traffic, accelerating lead conversion. In 2025, we reached paying users totaling approximately 30.6 million purchases across our monitored online platforms.

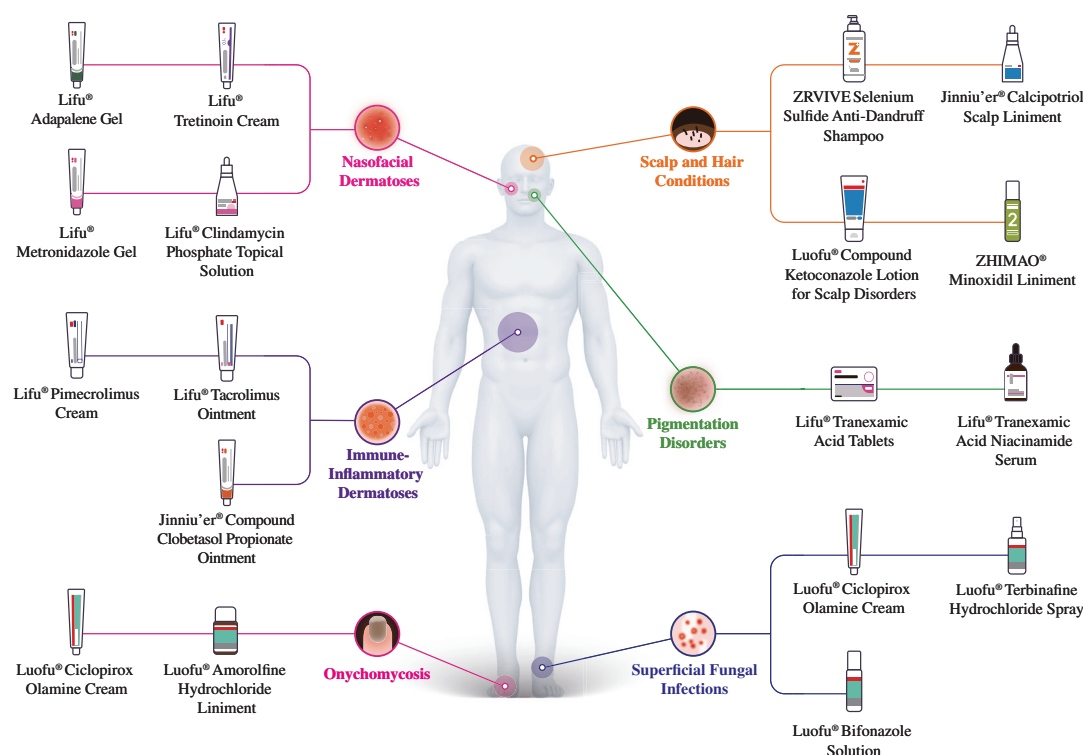
Real-World User Feedback. Our omnichannel infrastructure also functions as a real-world data collection mechanism: user purchasing patterns, repeat purchase rates, platform feedback and channel engagement data are systematically captured and fed back into the demand identification and R&D stages of the engine, initiating the next cycle of product insight and portfolio expansion.

Our Product Portfolio of “Head-to-Toe” Coverage

The output of our user-centric product engine is one of the broadest and most commercially successful topical dermatology portfolios in China. According to Frost & Sullivan, we have established the broadest coverage of high-prevalence skin indications in conditions that exceed 20 million annual patient visits in China. Our portfolio spans the full spectrum of anatomical sites — scalp and hair, face, trunk, limbs and nails — across major therapeutic areas including nasofacial dermatoses, superficial fungal infections, onychomycosis, immune-inflammatory dermatoses, pigmentation disorders, and scalp and hair conditions. Our commercialized products address the eight major dermatologic indications in China, which collectively affected an estimated 843 million prevalent cases in 2025, according to Frost & Sullivan. As of the Latest Practicable Date, we had commercialized over 50 products across our six core therapeutic areas, with a pipeline of over 30 candidates at various stages of development.

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The following diagram illustrates the breadth of our portfolio with head-to-toe coverage across major anatomical sites and therapeutic areas:



Breadth of coverage is but one dimension of our portfolio’s competitive position. Within each of our six core therapeutic areas, we have established category-leading products with dominant market positions — spanning the full anatomical range from face to scalp to nail. For each of their respective categories in 2025: in nasofacial dermatoses, Lifu® Metronidazole Gel ranked No. 1 across all channels in the rosacea category, Lifu® Clindamycin Phosphate Topical Solution ranked No. 1 across all channels in the acne antibiotic category, and Lifu® Adapalene Gel ranked No. 1 in online sales in the topical retinoid acne category; in superficial fungal infections, Luofu® Bifonazole Solution ranked No. 1 across all channels; in onychomycosis, Luofu® Ciclopirox Olamine Cream ranked No. 1 across all channels and Luofu® Amorolfine Hydrochloride Liniment ranked No. 2 in online sales; in immune-inflammatory dermatoses, Lifu® Pimecrolimus Cream ranked No. 1 in online sales in the atopic dermatitis and eczema category and Jinniu'er® Compound Clobetasol Propionate Ointment ranked No. 1 across all channels in psoriasis; in pigmentation disorders, Lifu® Tranexamic Acid Tablets ranked No. 1 in online sales in melasma; and in scalp and hair conditions, ZRVIVE Selenium Sulfide Anti-dandruff Shampoo has rapidly established a significant market presence as our medical-grade scalp care solution for dandruff and scalp health.

What distinguishes our portfolio from a static asset base is the consistency and speed with which our product engine continues to generate new category leaders. Among the above products launched during the Track Record Period, Lifu® Clindamycin Phosphate Topical Solution and Luofu® Amorolfine Hydrochloride Liniment each reached their leading positions online within three months of launch; Luofu® Ciclopirox Olamine Cream within five months; Lifu® Pimecrolimus Cream within seven months; and Lifu® Tranexamic Acid Tablets within 12 months — while Luofu® Bifonazole Solution and Lifu® Metronidazole Gel were already No. 1 market leaders before the Track Record Period, and Jinniu'er® Compound Clobetasol Propionate Ointment is our proprietary exclusive drug. The same engine that produced these category leaders continues to drive our R&D output: according to Frost & Sullivan, we ranked first in China by both the total number of topical dermatology drugs submitted and approved for marketing authorization over the three years preceding the Latest Practicable Date. This track record reflects a repeatable commercial model: identify demand, develop the right formulation, reach market quickly, and systematically capture category leadership. With a pipeline of over 30 candidates at various stages of development, three innovative drug candidates in China with IND approval, three pre-IND U.S. regulatory filings completed, and plans to launch 15 to 20 new products over the next three to five years, the engine that built our current portfolio will continue to generate category leaders across new indications and therapeutic areas.

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Our Market Opportunities and Financial Performance

We are positioned as a primary beneficiary of the structural expansion of China’s dermatology and medical-grade skincare market. The scale of the underlying disease burden is significant. Frost & Sullivan estimates that skin diseases have an estimated incidence of 53.78% among the general population in China, and that the eight major dermatologic indications in China collectively affected an estimated 843 million prevalent cases in 2025. The combined China therapeutic dermatology and medical-grade skincare market is expected to grow from RMB80.0 billion in 2025 to RMB170.6 billion in 2030, representing a CAGR of approximately 16.4%, and to reach RMB284.0 billion by 2035.

Within China’s topical dermatology drug segment, the total market is projected to grow from approximately RMB27.8 billion in 2025 to approximately RMB45.1 billion in 2030, at a CAGR of approximately 10.2%. Both the online and offline channels within this segment are expanding in absolute terms, reflecting the breadth of demand across the market. Online channels — including e-pharmacies, internet hospitals and online platforms — are projected to grow at a CAGR of 13.4% from 2025 to 2030, driven by the continued migration of dermatology users to digital purchasing and consultation. Offline channels, including hospital pharmacies and retail pharmacy networks, remain a substantial and growing component of the market, projected to expand at a CAGR of 9.1% over the same period. Our integrated omnichannel commercialization model is designed to capture growth across both dimensions.

Growth across this market is structurally underpinned by reinforcing dynamics that directly favor our business model: rising disease prevalence and awareness, increasing willingness to seek timely and standardized dermatologic care, the rapid expansion of online healthcare channels — including e-pharmacies, and internet hospitals — improving both access and long-term adherence. Looking ahead, continued innovation in formulations and advanced delivery systems, the penetration of online sales into lower-tier cities, and a structural shift from treatment-only use toward health maintenance and preventive care are expected to sustain demand growth across the prescription, OTC and medical-grade skincare categories.

Our financial performance to date reflects our ability to capture the growth from these trends. Our revenue grew from RMB1,030.6 million in 2023 to RMB1,125.7 million in 2024 and further to RMB1,323.7 million in 2025, with gross profit margins of 71.8%, 69.0% and 66.8% for the years ended December 31, 2023, 2024 and 2025, respectively. The channel composition of our revenue directly reflects the structural market shift described above: online sales represented 46.4% of total revenue in 2023, increasing to 57.4% in 2024 and 58.0% in 2025, while offline sales declined as a proportion of revenue from 52.5% in 2023 to 40.8% in 2025. Adjusted net profit (non-IFRS measure) was RMB146.6 million in 2023, RMB71.5 million in 2024 and RMB180.9 million in 2025, with the 2024 figure reflecting impairment of goodwill and certain intangible assets resulting from certain one-off events which are non-recurring in nature. Net cash generated from operating activities was RMB183.2 million in 2023, RMB161.1 million in 2024 and RMB206.9 million in 2025, and cash and cash equivalents stood at RMB433.5 million as of December 31, 2025, against total assets of RMB1,440.6 million as of December 31, 2025. This combination of sustained revenue growth, high gross margins, and strong operating cash generation provides evidence of proven financial success from our product engine. Into 2026, revenue for the three months ended March 31, 2026 increased by 14.9% to RMB336.8 million as compared to revenue for the three months ended March 31, 2025, demonstrating continued momentum across the portfolio.

STRENGTHS

Full-Spectrum Topical Dermatology Company with Category-Leading Products Capturing High-Growth Market Opportunities

We have established a strong position in China’s topical dermatology industry, underpinned by a fully integrated product engine spanning R&D, manufacturing and omnichannel commercialization. Through our user-centric strategy, we have built comprehensive capabilities that address the full spectrum of dermatological needs. Our leadership position is reflected across product coverage, market share, R&D output and manufacturing and commercialization capabilities:

- **Broadest Product Coverage of High-Prevalence Skin Indications.** According to Frost & Sullivan, we have established the broadest coverage of high-prevalence skin indications in China, leading the market in conditions with annual patients exceeding 20 million. As of the Latest Practicable Date, we had commercialized over 50 products across our six core therapeutic areas, supported by a pipeline of over 30 candidates, providing “head-to-toe” coverage that addresses the user’s comprehensive dermatological needs across anatomical sites and usage scenarios.

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- **Category-Leading Products with Demonstrated Speed to Leadership.** Five of our products ranked first across all channels, and an additional three ranked first by online sales, in their respective categories in 2025. Our product engine has demonstrated a consistent ability to establish category leadership with speed: among those launched during the Track Record Period, Lifu® Clindamycin Phosphate Topical Solution and Luofu® Amorolfine Hydrochloride Liniment each reached leading positions online within three months of launch; Luofu® Ciclopirox Olamine Cream within five months; Lifu® Pimecrolimus Cream within seven months; and Lifu® Tranexamic Acid Tablets within 12 months.
- **Leading R&D Output in Topical Dermatology.** According to Frost & Sullivan, as of the Latest Practicable Date, we ranked first in China by both the total number of topical dermatology drugs submitted and approved for marketing authorization over the three years preceding the Latest Practicable Date. As of the Latest Practicable Date, we had submitted clinical trial applications for three innovative drug candidates in China, all of which have received IND approval, and have also completed pre-IND U.S. regulatory filings for three candidates.
- **Specialized Manufacturing Capability and Scaled Omnichannel Commercialization.** We manufacture across eight distinct topical dosage forms — solutions, gels, creams, ointments, liniments, paints, lotions and sprays — allowing us to tailor drug delivery systems to specific indications, anatomical sites and usage scenarios. Our omnichannel commercialization model, spanning hospitals, retail pharmacies and digital platforms including on-demand delivery with 30-minute fulfillment capabilities, reached paying users totaling approximately 30.6 million purchases across our monitored online platforms in 2025.

Integrated Product Portfolio Driven by Clinical Innovation and Strategic Category Expansion

We have constructed a comprehensive product portfolio designed to address the full spectrum of dermatological needs through a “head-to-toe” coverage strategy. Our portfolio development is guided by principles including precision treatment for high-prevalence conditions, anatomical suitability of dosage forms, clinically proven efficacy, and holistic management of skin, hair and nails. Our commercialized products address the eight major dermatologic indications in China, which collectively affected an estimated 843 million prevalent cases in 2025, according to Frost & Sullivan, ensuring that we provide targeted solutions for the vast majority of dermatological issues.

Comprehensive Commercial Portfolio Anchored by Category-Leading Flagship Products

We have established one of the industry’s most structurally complete portfolios of topical dermatology products. Our strategy focuses on rapidly securing market dominance with high-impact flagship products that address specific clinical pain points — such as poor penetration, skin irritation or low patient adherence — through targeted dosage form innovation, for example, liniments for hairy areas and non-greasy gels for the face. This approach has established leading category positions across our core therapeutic areas.

As of the Latest Practicable Date, our flagship products had achieved leading market positions across multiple sub-sectors:

- **Lifu® Metronidazole Gel (Acne & Rosacea):** The first metronidazole gel approved in China. It ranked first in market share across all channels in 2025. Unlike traditional ointments, its water-based gel matrix improves breathability and adherence for facial use, addressing the “greasy feel” that often leads to treatment discontinuation. Building on continuous insights into clinical usage scenarios and user habits, we have upgraded from the original aluminum tube packaging to launch the first metronidazole gel pump dispenser format. Compared to traditional aluminum tube packaging, the pump design, with its vacuum mechanism that eliminates direct contact between air and the medication, ensures product quality stability and better suits the high-frequency, small-dose, repeated-use characteristics of facial topical medication, reducing the inconvenience of repeated squeezing, uncapping and direct contact with the product, and improving hygiene, convenience and dose control during application, while being more suitable for daily storage and travel.
- **Lifu® Adapalene Gel (Acne):** A third-generation retinoid that achieved the number one market share in online sales in 2025. It features superior photostability compared to traditional retinoids and serves as a first-line therapy for mild-to-moderate acne.

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- **Lifu® Clindamycin Phosphate Topical Solution (Acne):** Achieved the number one market share of its category across all channels in 2025. We differentiated this product with a specialized spray nozzle to enable 360° coverage, specifically solving the clinical challenge of treating “back acne” where manual application is difficult.
- **Luofu® Bifonazole Solution (Fungal Infections):** Ranked first in market share of its category across all channels in 2025. Its unique spray format allows patients to apply it to both their feet and footwear, cutting off the environmental source of reinfection — a critical advantage over cream-only competitors.
- **Lifu® Pimecrolimus Cream (Eczema/AD):** The first domestic generic of its kind, which rapidly overtook the original brand to rank first in online sales in 2025. It provides a critical non-hormonal alternative for sensitive areas such as face and neck where long-term steroid use is contraindicated.
- **Jinniu’er® Compound Clobetasol Propionate Ointment (Psoriasis vulgaris):** A proprietary exclusive drug, clinically positioned as a first-line therapy for psoriasis vulgaris and other inflammatory dermatoses accompanied by abnormal keratinization. It combines clobetasol propionate, a potent corticosteroid, with a retinoid, representing a therapeutically innovative solution.
- **ZRVIVE Selenium Sulfide Shampoo (Dandruff):** Our flagship medical-grade skincare product, formulated with 1% pharmaceutical-grade selenium sulfide — an active ingredient recommended by clinical guidelines for the treatment of seborrheic dermatitis and dandruff, which inhibits *Malassezia* proliferation, normalizes epidermal cell turnover and regulates sebum production. We selected selenium sulfide precisely because of its guideline-endorsed clinical standing, ensuring that our medical-grade skincare product delivers genuine efficacy rather than cosmetic effect alone. Its efficacy has been validated through clinical studies and testing conducted by authoritative institutions in China and abroad as well Grade A tertiary hospitals in China, confirming its significant oil-control and anti-dandruff capabilities, with reduction of recurrence observed even after discontinuation. By applying proprietary suspension and anti-oxidation technologies to overcome the longstanding formulation challenges of selenium sulfide, we have transformed a clinically potent active into a cosmetically elegant, daily-use shampoo — successfully bridging the gap between clinical treatment and daily skincare.

Approved Products Pending Commercial Launch

In addition to our established commercial portfolio, as of the Latest Practicable Date, we had four products that have received regulatory approval and are in the process of being prepared for commercial launch: Desonide Lotion, Sarecycline Hydrochloride Tablets, Fusidic Acid Cream, and Dutasteride Soft Capsules. These products span our core therapeutic areas and are expected to further broaden our commercial offerings in the near term.

Desonide Lotion is a low-potency, non-fluorinated topical corticosteroid indicated for atopic dermatitis and seborrheic dermatitis. While desonide cream is widely available in China, no domestic lotion presentation has previously been approved, and our product addresses this gap. The lotion form offers meaningfully better spreadability and a lighter, non-greasy texture compared to cream-based alternatives, making it particularly suited for application over large body surface areas and for patients with extensive eczema or scalp involvement — clinical scenarios where conventional cream formulations present practical limitations for both patients and prescribers.

Sarecycline Hydrochloride Tablets is a novel, once-daily, narrow-spectrum tetracycline antibiotic for the treatment of moderate-to-severe acne vulgaris, and represents the first new chemical entity antibiotic approved for acne in China in over 40 years. Originally developed by a U.S. pharmaceutical company and approved by the FDA in 2018, it received its NMPA drug registration certificate in November 2025. Unlike broad-spectrum tetracyclines such as doxycycline, sarecycline’s narrow antimicrobial spectrum is designed to minimize disruption to the gut microbiome and reduce the incidence of vestibular side effects — addressing two of the most clinically significant limitations of existing oral antibiotic therapies for acne.

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Innovation-Driven Pipeline Focused on Clinically Innovative Drugs

Our pipeline strategy focuses on innovation that delivers measurable clinical value. We do not simply replicate existing generics. Instead, we focus on Modified New Drugs (Class 2) and difficult-to-make complex generics that solve specific clinical limitations. As of the Latest Practicable Date, our pipeline included over 30 candidates.

Key late-stage and high-potential assets include:

- **Clindamycin Phosphate & Benzoyl Peroxide Gel (Acne):** A compound gel containing 1% clindamycin and 5% benzoyl peroxide (“BPO”), a regimen widely recognized by global guidelines as first-line therapy for mild-to-moderate acne. We were the first in China to submit the Abbreviated New Drug Application (“ANDA”) for this product in May 2025. The combination leverages a synergistic mechanism: BPO acts as a potent oxidizing agent to kill bacteria and dissolve comedones, while clindamycin inhibits bacterial protein synthesis to reduce inflammation. Critically, the oxidizing action of BPO helps mitigate the development of antibiotic resistance, a common challenge with antibiotic monotherapy. Our proprietary formulation technology successfully overcomes the inherent stability challenges of combining a strong oxidizer with an antibiotic, providing a high-quality, stable alternative to imported brands, while also improving adherence for acne patients with multi-mechanistic disease who use multiple topical agents concurrently.
- **ZYG24002 (Seborrheic Dermatitis):** A Class 2.2+2.4 Modified New Drug candidate developed for the treatment of seborrheic dermatitis, for which we received clinical trial approval in November 2025. ZYG24002 is an emulsion formulation specifically designed for facial, sebum-rich and hair-bearing application scenarios, aimed at improving on the heaviness, greasiness and poor spreadability that can characterize traditional cream formulations, thereby enhancing patient experience and adherence. The product adopts a low-viscosity, rheology-optimized emulsion system to support topical application, epidermal delivery and local retention. Non-clinical studies have demonstrated improvements in lesion appearance, inflammatory factors and histopathology in seborrheic dermatitis animal models. The product also incorporates soothing excipients and a metered vacuum pump system to improve local tolerability, dosing accuracy and ease of use, positioning ZYG24002 as a safe, non-corticosteroid option for long-term disease management.
- **ZYG24012 (Onychomycosis/Gray Nail):** A Class 2.2 Modified New Drug. The clinical trial application for this candidate product was approved in March 2026. It utilizes a supersaturated delivery system to penetrate the dense keratin of the nail plate, designed to reduce dosing frequency and improve patient compliance while avoiding the systemic hepatotoxicity risks associated with oral antifungals.

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R&D Capabilities Solving Critical Barriers in Formulation and Scale-Up

We view topical dermatology product development not merely as formulation, but as a complex engineering discipline. Unlike oral medications, topical formulations must overcome strict physicochemical constraints: the active ingredient must penetrate the stratum corneum barrier to reach specific target tissues while minimizing irritation. At the same time, the formulation must maintain thermodynamic stability and possess sensory attributes that ensure patient adherence. Furthermore, scaling these products from the laboratory to commercial production represents a significant industry bottleneck, as complex multi-phase systems are highly sensitive to process parameters such as shear force and temperature control. To overcome these technical barriers, we have established an R&D system anchored in the following specialized proprietary technological capabilities:

- **VertoDerm Platform:** the VertoDerm platform is our proprietary polymer-based topical local delivery system. Its core value lies in breaking through the conventional constraint of “one dosage form, one scenario” by treating functional polymers as a common engineering tool — flexibly combining formulation technologies to address the physicochemical characteristics of each active ingredient, the barrier differences of each administration site and the practical requirements of each clinical scenario, achieving precise local drug delivery. This capability is supported by five independent yet combinable technical modules: (i) the local retention module uses polymer-mediated rheology control to anchor drug at the target tissue, maximizing local drug concentration while minimizing systemic absorption; (ii) the application experience module precisely controls formulation viscosity and spreadability to resolve drug runoff and uneven distribution at anatomically difficult administration sites including the scalp, plantar surface and toe web spaces; (iii) the film-forming sustained release module forms a durable drug reservoir on the skin or nail plate surface, enabling long-acting continuous release, reducing dosing frequency and fundamentally improving patient adherence; (iv) the transdermal and transungual delivery module combines post-evaporation local concentration enhancement with polymer-mediated crystallization inhibition to penetrate dense keratin barriers such as the nail plate, significantly improving drug infiltration depth and retention concentration in the nail bed; and (v) the stability module uses polymer network construction and microenvironment engineering to simultaneously address emulsion physical instability and degradation of water-sensitive APIs in aqueous formulations. The platform has been validated across skin, scalp, foot and nail indications, supports multiple internal innovative drug programs, and is backed by authorized project-level formulation patents and approved clinical trials.
- **D³-PK (Deep Skin Pharmacokinetics):** deep skin pharmacokinetics addresses the fundamental difficulty of measuring efficacy for topical drugs, where blood concentration is an ineffective proxy metric. Supported by a multidisciplinary team of over 30 specialists and equipped with high-sensitivity LC-MS/MS systems and dozens of transdermal diffusion cells, we deploy advanced analytical techniques — including mass spectrometry imaging (“MSI”), tape stripping and skin layer separation — to precisely visualize and quantify drug distribution layer-by-layer across skin depths. This capability enables us to confirm intradermal drug distribution before committing to human clinical trials, and has been instrumental in the development of over 30 complex formulations. We have established joint laboratories with Logan Instruments and Thermo Fisher to co-develop standardized testing methodologies aligned with FDA and NMPA requirements.
- **Topical Product Scale-up:** scaling a complex topical formulation from laboratory to industrial production has historically been a major industry bottleneck, as sensitive multi-phase systems often become unstable under bulk manufacturing conditions. Our topical product scale-up capability bridges this gap between R&D and commercial manufacturing through advanced simulation and data analysis. Drawing on a proprietary database of processing parameters accumulated from years of small-scale, pilot and commercial production runs, we map key process parameters — including shear rate, cooling profiles and agitation speed — from our pilot equipment to our commercial production vessels, allowing us to mathematically predict and offset scale-up effects and ensuring a high success rate for technology transfer and batch-to-batch consistency at commercial scale.

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- **Quality Control Parameters:** To address the complexity of topical formulations, we control over 20 micro-structural parameters — including particle size, crystal habit and rheological behavior — setting thresholds that exceed regulatory requirements and are calibrated to the specific needs of each product and dosage form. This higher standard ensures every unit we produce maintains the precise consistency and stability required for effective long-term treatment.

Integrated Manufacturing Platform with Specialized Versatility and Scale

We have established one of China’s most sophisticated specialized manufacturing platforms dedicated to topical dermatology. Unlike generalist manufacturers, our production system is specifically engineered to handle the complexity of topical formulations. We possess comprehensive capability to manufacture eight distinct topical dosage forms on a commercial scale — including solutions, gels, creams, ointments, liniments, paints, lotions, and sprays. This versatility allows us to rapidly translate clinical formulations into mass-market products while accommodating diverse physicochemical properties, packaging requirements, and patient usage habits.

Our manufacturing footprint is strategically positioned for massive scalability. Our current production base in Wuxi, Jiangsu Province, spans approximately 32,000 square meters of gross floor area, integrating production and R&D space. To support our rapid commercial expansion and the volume ramp-up of our flagship franchises, we are executing a strategic expansion plan. By 2027, we aim to establish 26 automated production lines, creating one of the most comprehensive specialized topical dermatology formulation manufacturing platforms in China. Upon completion, this facility will provide an annual production capacity of approximately 160 million units, ensuring we can meet the growing demand from our national sales network without supply bottlenecks.

We differentiate ourselves through a commitment to digitalized process control and rigorous quality standards. We have invested heavily in digitalization to ensure consistent product quality and operational efficiency. Our facilities utilize an integrated suite of SCM, warehouse management systems (“WMSs”), Document Management Systems, Drug Traceability systems, and pharmacovigilance (“PV”), enabling full product life cycle traceability and ensuring that every batch meets rigorous safety and efficacy standards.

To further elevate our process capability, our Joint Laboratory with the Jiangsu Institute for Drug Control ensures our quality and compliance standards keep pace with evolving regulatory requirements. On the industrial side, our joint technology development platforms with Lubrizol in dermatological excipients and Logan Instruments in transdermal analysis give us direct access to specialized materials science and analytical expertise, accelerating the translation of formulation innovation into commercially scalable products.

Social Commerce-Driven Omnichannel Commercialization Model

For mild-to-moderate skin conditions, users increasingly self-manage their care, completing the awareness-decision-purchase-usage journey — the autonomous cycle through which dermatology patients identify symptoms, evaluate solutions, purchase products and engage in long-term self-care — through digital channels, particularly for OTC drugs and medical-grade skincare products. Our commercialization model is built around this reality. We have built proprietary capabilities to monitor real-time shifts in disease-related search intent and user sentiment across China’s major digital platforms. Combined with the breadth of our portfolio across anatomical sites, indications and usage scenarios, these insights ensure our products are precisely positioned where users are searching and readily available at the point of purchase. The result is a self-reinforcing cycle: disease awareness content drives user search behavior, our products capture that traffic at conversion, and growth compounds — all without reliance on traditional advertising models.

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This model is supported by two complementary insight systems:

- **Clinical & Educational Insight:** Our medical affairs team systematically tracks shifts in disease prevalence and identifies gaps in public health knowledge. By focusing on the clinical unmet needs surfacing in online conversations, we map user profiles against specific conditions and dosage preferences so that our products address the pain points being discussed on platforms such as Xiaohongshu (RED), Douyin and Bilibili.
- **Data-Driven Feedback Loop:** Our user feedback system, rooted in our online channels, has access to over 1.98 million user product reviews, which enables real-time analysis of usage scenarios and user-reported outcomes, directly informing our product iteration.

We apply these insights to deliver precise, solution-based marketing. For example, in the athlete’s foot category, user feedback revealed that traditional cream-based formulations were limited in their ability to eliminate fungal sources in the surrounding environment — a key driver of the high recurrence rates that characterize the condition. In response, we developed and launched Luofu[®] Bifonazole Solution, whose spray format directly addresses this gap: users can apply it to both affected skin and footwear, eliminating residual fungus that is a primary cause of reinfection. This formulation innovation drove Luofu[®] Bifonazole Solution to the number one position in online sales in its category.

This model has supported significant scale. We have built strategic partnerships with leading e-commerce and local life service platforms, including Ali Health, JD Health, Douyin and Pinduoduo, where our portfolio consistently ranks among the top performers in its categories. In 2025, we reached paying users totaling approximately 30.6 million purchases across our monitored online platforms, and revenue generated through our online channels accounted for approximately 58% of our total revenue. Our offline channels — including hospitals and retail pharmacy networks — remain a substantial and growing component of our commercialization footprint, and our omnichannel model is designed to serve the full spectrum of how users access dermatology products.

Experienced Management Team Combining Pharmaceutical Expertise with Digital Commercial Execution

Our Company is led by a management team of industry veterans who possess a rare combination of traditional pharmaceutical governance experience and modern digital commercial execution. The core leadership team shares a long history of professional collaboration, having previously held senior roles together at Langsheng Pharma. This stability and shared operational philosophy have been pivotal in building our fully integrated platform, ensuring that strategic decisions balance medical rigor with commercial agility:

- **Mr. Xu Jun, Chairman:** Mr. Xu brings over 30 years of pharmaceutical industry experience. He previously served as Executive Director and CEO of Langsheng Pharma from 2002 to 2013, where he oversaw the Company’s strategic direction and capital market operations. His background also includes his leadership at Sanjiu Medical Trading over OTC and prescription drugs, providing deep insight into China’s pharmaceutical industry.
- **Mr. Xie Hongwei, Director & General Manager:** With over 30 years of pharmaceutical industry and operational expertise, Mr. Xie oversees our business execution. He served as General Manager and Marketing Director at Langsheng Pharma subsidiaries for ten years. His career, which began alongside Mr. Xu at Sanjiu Medical Trading, demonstrates a strong track record in sales management and market expansion.
- **Dr. Cai Beilei, Director & Deputy General Manager:** Dr. Cai oversees our scientific R&D, medical and clinical functions. She holds a PhD in Immunology from the University of Glasgow, where she studied under Professor Liu Fuyou, a Fellow of the Royal Society. She is responsible for formulating R&D strategy, building our technical platforms and driving

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collaboration between industry, academia and research institutions, as well as the international regulatory filing of our products. She has been selected for Wuxi’s Taihu Talent Program and serves as an external academic supervisor at universities and an expert in pharmaceutical technology commercialization.

- **Mr. Tian Zhihui, Deputy General Manager:** Mr. Tian leads our digital commercialization strategy. He played a key role in the brand operations for our flagship products, Lifu[®] and Luofu[®], and oversaw the market launch of our ZRVIVE medical-grade skincare line. As a recognized figure in the industry, he currently serves as Executive Vice President of the China Medical Pharmaceutical Material Association and Head of its Industrial E-commerce Branch.

To execute our content and search intent-driven social commerce strategy, we have structured our commercial organization to mirror the agility of the digital platforms we operate on. Our digital commercialization team is distinguished by its demographic alignment with our core user base. The average age of team members is under 29, and most possess direct prior experience in e-commerce operations or digital marketing. We maintain a flat organizational hierarchy to facilitate rapid decision-making, empowering this team to maintain our competitive edge in online channels.

Our growth is further supported by a diverse group of shareholders who bring strategic value beyond capital. Our register includes leading healthcare-focused funds such as Sinovation Ventures (“SDF”), Cathay Capital and Alibaba Health. Their backing validates our business model and provides access to valuable industry networks.

STRATEGIES

We intend to pursue the following strategies to consolidate our market leadership and drive sustainable, long-term growth:

Deepen Strategic Focus on Dermatology and Solidify Core Competitive Advantages Through Technological Innovation

We remain steadfast in our “all-in-skin” commitment, driven by the conviction that deep specialization yields superior long-term returns compared to diversified approaches. We will further refine our strategic focus to identify and capture high-value opportunities within specific dermatological sub-sectors. By leveraging our user insight capabilities, we aim to pinpoint emerging unmet needs and evolving preferences, concentrating our R&D investment on products that deliver precise therapeutic outcomes and superior efficacy.

Our development roadmap prioritizes first-to-market generics, complex formulations and topical combinations. This will be supported by continued investment in our proprietary technology platforms. We will deepen our expertise in transdermal delivery systems — including film-forming solution and lotion technologies — to create products with superior performance characteristics that are difficult to imitate. By building proprietary intellectual property and technical barriers, we aim to differentiate our products on their delivery systems and user experience as well as their active ingredients.

Strengthen Our Omnichannel Distribution Network to Maximize Accessibility

We will continue to upgrade our distribution capabilities across all channels to maximize market coverage. Our omnichannel strategy reflects the distinct purchasing behaviors of different user segments, which call for a comprehensive presence across both digital and physical channels.

- **E-Commerce and Digital Channels:** We will deepen our presence on existing e-commerce platforms while proactively expanding into emerging digital channels. We plan to refine our digital marketing capabilities by leveraging data analytics to enhance targeting precision and marketing efficiency.

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- **30-Minute Delivery:** We will expand our partnerships with 30-minute delivery platforms to offer users rapid product access, combining online ordering with local fulfillment to address user demand for fast access.
- **Professional and Retail Channels:** In the hospital channel, we will expand our evidence-based medical promotion efforts and invest in medical education to ensure our products remain the preferred choice for healthcare professionals. Concurrently, we will expand our retail footprint through deeper collaborations with national pharmacy chains, implementing merchandising programs to drive conversion at the physical point of sale.

Optimize Supply Chain for Scale, Efficiency, and Strategic Flexibility

We will continue to invest in our supply chain capabilities to support our growth targets while enhancing operational efficiency. By 2027, we aim to complete 26 automated production lines, establishing one of China’s most comprehensive dedicated topical dermatology manufacturing platforms. The expanded capacity of up to 160 million units will support our long-term growth trajectory and provide a buffer against demand surges.

Beyond scaling capacity, we will improve our cost structure and supply chain security by progressively replacing private label products manufactured by qualified third party companies with proprietary self-developed equivalents to capture greater margin, and consider integrating key raw materials upstream to secure strategic independence. To support our diverse distribution models, we will optimize our warehousing and logistics operations, investing in specialized systems that allow us to achieve operational excellence in both B2B wholesale distribution and high-velocity direct-to-user fulfillment simultaneously.

Accelerate AI-Driven Digital Transformation to Secure the High Ground in User Knowledge

We will embrace artificial intelligence and digital technologies to transform our operations, recognizing that the battleground for user attention and decision-making is undergoing a fundamental paradigm shift. Historically, patients acquired medical information through search engines and later through social media platforms. We are now entering a new era where users increasingly rely on generative AI to answer questions about skin conditions and treatment options. In this new landscape, gaining insight into search results is no longer enough. We aim to establish a competitive advantage in AI-driven user search.

To secure this strategic high ground, we are implementing a forward-looking AI strategy. A prime example is our strategic partnership with Alipay’s AI health services platform, “Ant Ah Fu” (蚂蚁阿福). Through this collaboration, we integrate our proprietary dermatological knowledge graph and clinical insights into their AI large model. This ensures that when users query skin conditions on the platform, they receive authoritative, scientifically accurate answers that meet their personalized, precise and professional needs — a philosophy that runs through their entire awareness-decision-purchase-usage cycle. We influence the decision-making process at its increasingly digital source. Internally, we will leverage AI to transform our value chain, utilizing advanced analytics for formulation optimization in R&D and enhancing forecasting accuracy in manufacturing.

Build Long-Term Brand Value Through User Experience and Word-of-Mouth

We are continuously refining our commercial model to strengthen brand-driven, long-term value creation. As information channels have become more diverse and accessible, consumers of skin health products increasingly make purchase decisions on their own terms — drawing on professional content, real-world usage experience and peer recommendations rather than responding to advertising.

Our brand-building approach is grounded in tens of millions of annual user touchpoints, a long track record of product satisfaction, and authentic user feedback accumulated across our portfolio. Skin health products occupy a category where users are highly motivated to seek out information, share their experiences and advocate for products that work. By offering a broad and continuously evolving product

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range across indications and usage occasions, we are able to convert a user’s positive experience with a single product into awareness of, and affinity for, our wider portfolio — creating a self-reinforcing growth cycle driven by product performance and word-of-mouth.

We pursue a disciplined brand positioning strategy, ensuring that each of our brands occupies a clear and recognizable identity on its own terms. Lifu[®] is our dedicated pharmaceutical brand for nasofacial conditions, anchored by a portfolio of clinically proven topical pharmaceuticals addressing a broad range of high-prevalence conditions, including acne and rosacea. Luofu[®] is our authoritative brand in topical antifungal treatment, with clinical leadership built on a multi-dosage-form product portfolio that precisely addresses the diverse treatment needs of superficial fungal infections such as athlete’s foot. ZRVIVE is our medical-grade skincare line, formulated with pharmaceutical-grade active ingredients to deliver genuine efficacy within the daily skincare routine — bridging clinical dermatology and consumer-facing skin health management.

To sustain this strategy, we have established a dedicated user and brand center. This department functions as the strategic interface between our market insights and product development, systematically collecting real-world feedback to ensure our brand evolution keeps pace with changing user needs. By institutionalizing this feedback loop, we ensure that our brands remain relevant, authoritative and aligned with the rational consumption values of our core demographic.

Pursue Strategic International Expansion

We intend to pursue a multi-pronged international expansion strategy to diversify our revenue base and integrate deeply into the global dermatology ecosystem. We will actively pursue strategic R&D collaborations and in-licensing opportunities with global pharmaceutical and biotechnology partners. Rather than simply distributing finished products, our focus is on acquiring rights to promising clinical-stage candidates and novel delivery technologies that complement our internal R&D capabilities. By engaging in co-development and licensing arrangements, we aim to accelerate the introduction of global innovation to our platform, enriching our pipeline with differentiated assets that address complex dermatological needs.

Leveraging our expanded manufacturing capacity and advanced quality systems, we plan to serve as a high-quality production partner for international brands. With our planned capacity covering 11 distinct topical dosage forms and up to 160 million units, and adherence to rigorous quality standards, we are well-positioned to provide contract development and manufacturing services to global pharmaceutical companies. This strategy allows us to maximize facility utilization while establishing deep operational ties with international partners, further validating the global competitiveness of our manufacturing standards.

Concurrently, we will drive the international registration and commercialization of our proprietary products, prioritizing assets with strong clinical data and meaningful differentiation for regulated markets. We aim to build a global presence through a combination of direct registration and local distribution partnerships. By executing across these three dimensions, we aim to transform our organization from a domestic leader into a globally integrated enterprise, capable of originating innovation at the source, manufacturing at scale, and competing effectively in the international dermatology market.

OUR MAIN PRODUCTS

As of the Latest Practicable Date, we had established a comprehensive portfolio of commercialized products covering six core disease areas in dermatology, including nasofacial dermatoses, superficial fungal infections, onychomycosis, immune-inflammatory dermatoses, pigmentation disorders, and scalp and hair conditions. This diversified product matrix allows us to provide full-cycle disease management solutions — ranging from acute medical treatment to long-term daily care — thereby maximizing patient adherence and commercial synergy across our sales channels.

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The following table summarizes our major commercialized products as of the Latest Practicable Date:

Target Area	Product	Dosage Form	Indication	Reference Price	NRDL
Nasofacial Dermatoses	Lifu® (麗芙®) Metronidazole Gel	Gel	Inflammatory papules, pustules, rosacea erythema	RMB18.89/20g	Yes
	Lifu® (麗芙®) Adapalene Gel	Gel	Mild-to-moderate acne vulgaris	RMB19.9/16g	Yes
	Lifu® (麗芙®) Tretinoin Cream	Cream	Acne, keratosis pilaris	RMB18.9/10g	Yes
	Lifu® (麗芙®) Clindamycin Phosphate Topical Solution	Paint	Acne vulgaris	RMB31.2/30ml	No
Superficial Fungal Infections	Luofu® (洛芙®) Bifonazole Solution	Solution	Tinea manuum, tinea pedis, tinea corporis	RMB39.25/60ml	Yes
	Luofu® (洛芙®) Terbinafine Hydrochloride Spray	Spray	Tinea manuum, tinea pedis, tinea corporis	RMB32.37/40ml	No
Onychomycosis	Luofu® (洛芙®) Amorolfine Hydrochloride Liniment	Liniment	Onychomycosis (Fungal nail infection)	RMB137/2ml	No
	Luofu® (洛芙®) Ciclopirox Olamine Cream	Cream	Onychomycosis, tinea pedis, tinea corporis	RMB37.38/30g	Yes
Immune-Inflammatory Dermatoses	Lifu® (麗芙®) Pimecrolimus Cream	Cream	Mild-to-moderate atopic dermatitis	RMB110/10g	Yes
	Lifu® (麗芙®) Tacrolimus Ointment	Ointment	Moderate-to-severe atopic dermatitis	RMB64/15g	Yes
	Jinniu' er® (金紐爾®) Compound Clobetasol Propionate Ointment	Ointment	Psoriasis vulgaris	RMB48.46/30g	No
Pigmentation Disorders	Lifu® (麗芙®) Tranexamic Acid Tablets	Tablet	Melasma	RMB160/36 tablets	Yes
Scalp and Hair Conditions	Jinniu' er® (金紐爾®) Calcipotriol Scalp Liniment	Liniment	Scalp psoriasis	RMB98/30ml	Yes
	ZHIMAO® (質茂®) Minoxidil Liniment	Liniment	Androgenetic alopecia (“AGA”), alopecia areata	RMB65.8/60ml	No
	ZRVIVE (質潤®) Selenium Sulfide Anti-dandruff Shampoo	Shampoo	—*	RMB99/300ml	No

Note:

* Not applicable for medical-grade skincare product

The following table sets forth the breakdown of our revenue from sales of products by target areas for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
(RMB in thousands, except for percentages)										
Immune-inflammatory										
Dermatoses	191,185	18.6	253,001	22.5	324,389	24.5	88,774	30.3	71,907	21.4
Superficial fungal infections . .	263,390	25.6	288,469	25.6	283,440	21.4	55,778	19.0	53,052	15.8
Nasofacial dermatoses	284,075	27.6	248,414	22.1	272,029	20.6	52,206	17.8	57,077	16.9
Scalp and Hair Conditions . . .	36,415	3.5	118,741	10.5	142,708	10.8	38,203	13.0	61,386	18.2
Onychomycosis	3,626	0.3	53,173	4.7	104,080	7.9	21,103	7.2	30,267	9.0
Pigmentation disorders	—	—	6,671	0.6	34,637	2.5	7,764	2.7	7,265	2.1
Subtotal of the dermatology products	778,691	75.6	968,469	86.0	1,161,283	87.7	263,828	90.0	280,954	83.4
Autoimmune rheumatic										
Products	217,962	21.2	124,904	11.1	134,802	10.2	24,195	8.2	46,599	13.8
Other products	23,045	2.1	16,382	1.5	12,135	0.9	2,946	1.0	3,951	1.2
Total sales of products	1,019,698	98.9	1,109,755	98.6	1,308,220	98.8	290,969	99.2	331,504	98.4
Others ⁽¹⁾	10,862	1.1	15,945	1.4	15,450	1.2	2,226	0.8	5,274	1.6
Total	1,030,560	100.0	1,125,700	100.0	1,323,670	100.0	293,195	100.0	336,778	100.0

Note:

(1) Others mainly comprise the revenue from our technical services, technology use, entrusted processing and others.

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Nasofacial Dermatoses

Nasofacial dermatoses refer to a class of inflammatory diseases primarily affecting the central facial area, specifically the nose, cheeks, and perioral region. High-incidence conditions within this category include acne vulgaris, rosacea, and facial seborrheic dermatitis. Acne, in particular, is a chronic inflammatory condition characterized by high prevalence and frequent recurrence affecting a broad demographic ranging from adolescents to adults. Because lesions typically manifest on exposed facial areas, the condition exerts significant social and psychological pressure on patients, creating a resilient market driven by a strong and proactive willingness to seek treatment.

Pathologically, acne is driven by a complex cascade of factors, including abnormal keratinization of the pilosebaceous duct, excessive sebum secretion, colonization by *Cutibacterium acnes*, and inflammatory responses. Consequently, effective management requires a comprehensive intervention strategy that covers oil control, keratin regulation, bacteriostasis, and anti-inflammation. However, existing therapies often face significant clinical challenges, including rising antibiotic resistance, skin irritation issues, and poor patient compliance due to the need for long-term adherence.

To address these challenges, we have developed a comprehensive solution that combines topical formulations for mild-to-moderate cases with systemic oral treatments for moderate-to-severe cases, achieving holistic intervention that addresses multiple pathogenic factors of the disease while balancing efficacy with skin tolerance.

Lifu® Metronidazole Gel (麗芙®甲硝唑凝膠)

— #1 in its category across all channels in 2025

Lifu® Metronidazole Gel is a topical anti-anaerobic and anti-protozoal agent classified as a Class B OTC product. As the first metronidazole gel formulation approved in China, it has become the market leader, ranking first in sales across all channels in 2025. Metronidazole Gel is indicated primarily for the local treatment of inflammatory papules, pustules, and rosacea erythema. It works through a dual mechanism: inhibiting the anaerobic bacteria and Demodex mites that trigger local inflammation, while simultaneously exerting antioxidant and immunomodulatory effects by inhibiting reactive oxygen species generated by neutrophils. This rapidly reduces tissue inflammation and redness. As a non-hormonal therapy, Metronidazole Gel avoids the risks associated with long-term facial steroid use, such as corticosteroid-dependent dermatitis, making it a safe maintenance therapy for chronic conditions like rosacea. Addressing the compromised skin barrier common in rosacea patients, Metronidazole Gel utilizes a water-based gel matrix rather than a greasy ointment. This hydrophilic formulation offers superior breathability and cosmetic elegance, allowing for rapid absorption without clogging pores, which significantly improves patient comfort and compliance for facial applications.

Building on continuous insights into clinical usage scenarios and user habits, we have upgraded from the original aluminum tube packaging to launch the first metronidazole gel pump dispenser format. Compared to traditional aluminum tube packaging, the pump design, with its vacuum mechanism that eliminates direct contact between air and the medication, ensures product quality stability and better suits the high-frequency, small-dose, repeated-use characteristics of facial topical medication, reducing the inconvenience of repeated squeezing, uncapping and direct contact with the product, and improving hygiene, convenience and dose control during application, while being more suitable for daily storage and travel.

Lifu® Adapalene Gel (麗芙®阿達帕林凝膠)

— #1 in its category online in 2025

Lifu® Adapalene Gel is a third-generation topical retinoid classified as a Class B OTC product. Clinically regarded as a cornerstone therapy for acne, Adapalene Gel is recommended by domestic and international guidelines as a first-line treatment for mild-to-moderate acne and a preferred agent for long-term maintenance to prevent recurrence. In 2025, Adapalene Gel achieved the number one market share in online sales, surpassing the original branded product. Compared to earlier generations of retinoids, Adapalene Gel demonstrates significant technical advantages in chemical stability and local tolerance. It offers superior photostability, overcoming the photosensitivity issues often associated with traditional retinoids. Pharmacologically, Adapalene Gel works by selectively binding to retinoic acid nuclear receptors to normalize follicular cell differentiation and dissolve comedones. This selective binding profile minimizes irritation, significantly reducing adverse events such as erythema and desquamation compared to non-selective retinoids. Adapalene Gel utilizes a water-based gel formulation specifically aligned with the needs of oily, acne-prone skin. Its versatility allows it to be used effectively on large surface areas, such as the chest and back, and it serves as both a standalone therapy for mild cases and a foundational drug for combination therapy in moderate-to-severe cases.

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Lifu® Tretinoin Cream (麗芙®維A酸乳膏)

Lifu® Tretinoin Cream is a first-generation retinoid classified as a National Essential Drug and Class A OTC product. As the first retinoid approved for global use, Tretinoin Cream remains a standard of care for keratinization disorders and acne. Benefiting from its status as an essential drug with full insurance reimbursement coverage, Tretinoin Cream has achieved widespread penetration in grassroots medical institutions and retail terminals, ranking first in online sales in 2025. Tretinoin Cream possesses broad-spectrum pharmacological activity, regulating epidermal cell mitosis and turnover to promote normal keratinocyte differentiation. Beyond dissolving comedones and expelling blackheads, Tretinoin Cream effectively reverses photoaging and improves hyperpigmentation, providing clinical value in both therapeutic dermatology and medical aesthetics. We offer specific concentrations to enable precision treatment. The 0.025% concentration is positioned for tolerance building and anti-aging, making it suitable for sensitive skin or initial users treating blackheads and skin atrophy. The 0.1% concentration is positioned for potent targeting of hypertrophic lesions, severe keratinization disorders such as ichthyosis, and recalcitrant acne. Tretinoin Cream utilizes a cream base designed to balance the potency of the retinoid with skin comfort to ensure absorption and compliance.

Lifu® Clindamycin Phosphate Topical Solution (麗芙®克林黴素磷酸酯外用溶液)

— ***#1 in its category across all channels in 2025***

Lifu® Clindamycin Phosphate Topical Solution is a topical antibiotic classified as a Class A OTC product. Recommended by the *Guidelines for the Treatment of Acne in China (2019 Revised Edition)*, clindamycin is designated as a first-line topical anti-infective for mild-to-moderate acne due to its potent inhibition of *Cutibacterium acnes* and anti-inflammatory activity. In 2025, this product achieved the number one market share among similar varieties. Pharmacologically, Clindamycin Phosphate is a chemically synthesized derivative that hydrolyzes into active clindamycin upon absorption. It demonstrates superior lipid solubility and permeability compared to standard clindamycin, ensuring effective penetration into the pilosebaceous unit. Beyond its antibacterial action, clindamycin exerts direct and indirect anti-inflammatory effects by inhibiting the generation of inflammatory chemotactic factors and cytokines, as well as reducing free fatty acids on the skin surface. We designed this product as a solution rather than a gel or cream, making it significantly lighter and fresher than traditional ointments. Its advantages include rapid transdermal absorption, a non-greasy texture, and non-comedogenic properties, which greatly enhance patient compliance. To address hard-to-reach acne on the back and chest, we equipped the product with a specialized spray nozzle. This supports 360° coverage, ensuring the medication uniformly reaches restricted areas. This design innovation not only mitigates the risk of secondary infection from hand application but also ensures consistent drug distribution, perfectly aligning with the clinical requirements for treating multi-site acne.

In addition to these flagship formulations, we market a broader portfolio of acne therapeutics, including clindamycin phosphate gel, viamine and vitamin E cream, and isotretinoin soft capsules, ensuring a comprehensive range of treatment options for diverse patient needs.

Superficial Fungal Infections

Superficial fungal infections are characterized by high prevalence and persistent recurrence, with tinea pedis, commonly known as athlete’s foot, being one of the most widespread dermatological conditions globally. Driven by a large patient population, high contagion rates, and the significant impact of symptoms like severe pruritus on quality of life, this category represents a massive, resilient market where patients have a clear and urgent demand for rapid itch relief and complete cure.

Pathologically, athlete’s foot is primarily caused by dermatophytes such as *Trichophyton rubrum* infecting the foot. The condition is exacerbated by the relatively thick stratum corneum of the foot and an often moist, enclosed environment, which facilitates fungal colonization and persistence. Transmission occurs easily through direct contact or via contaminated items like shoes and socks, leading to frequent reinfection. Traditional treatments face significant challenges, including the difficulty topical creams have in penetrating thick or hyperkeratotic skin layers, poor patient compliance due to long treatment courses, and the presence of residual fungi in shoes and socks that creates an environmental reservoir driving high recurrence rates.

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Meanwhile, the widespread use of antifungal agents in recent years has driven a steady rise in clinical resistance among superficial fungi — including dermatophytes and *Candida* species — limiting the efficacy of conventional single-agent therapies against complex, refractory, or recurrent infections. This has emerged as a significant clinical challenge in the antifungal treatment landscape.

To address these challenges, our product strategy centers on symptomatic management and recurrence control. We match formulations to specific clinical types and usage scenarios, aiming to improve treatment completion rates and block environmental transmission paths.

Luofu® Bifonazole Solution (洛芙® 聯苯苄唑溶液)

— #1 in its category across all channels in 2025

Luofu® Bifonazole Solution is a broad-spectrum azole antifungal agent classified as a Class B OTC product. In 2025, it achieved the number one sales position across all channels in its category. The product is indicated for superficial fungal infections such as tinea manuum, tinea pedis, and tinea corporis. Pharmacologically, bifonazole exerts a fungicidal effect by inhibiting the synthesis of ergosterol, a vital component of the fungal cell membrane. It possesses a broad antimicrobial spectrum effective against dermatophytes, yeasts, and molds, and is characterized by rapid onset and high retention concentrations in the stratum corneum.

We differentiate this product through a unique solution and spray format that directly addresses the limitations of traditional creams.

- **Superior Penetration:** Unlike creams or ointments, the solution formulation offers superior penetrability, allowing the active ingredient to effectively cover and infiltrate the affected skin layers.
- **Eliminate the Source of Fungal Growth:** Traditional cream-based formulations were limited in their ability to eliminate fungi from the patient’s surrounding environment — a key driver of the high recurrence rates that characterize tinea pedis. In response, Luofu® Bifonazole Solution was developed as a spray format that directly addresses this gap: users can apply it to both affected skin and footwear, eliminating residual fungus that is a primary cause of reinfection and reducing the risk of relapse after treatment completion.

Luofu® Terbinafine Hydrochloride Spray (洛芙® 鹽酸特比萘芬噴霧劑)

Luofu® Terbinafine Hydrochloride Spray is a topical antifungal agent classified as a Class A OTC product. The product is indicated for superficial fungal infections including tinea manuum, tinea pedis, and tinea corporis. Pharmacologically, terbinafine is an allylamine antifungal that exerts its fungicidal effect by inhibiting squalene epoxidase, a key enzyme in the fungal sterol biosynthesis pathway. This blockade arrests the synthesis of ergosterol — an essential structural component of the fungal cell membrane — while simultaneously causing the intracellular accumulation of squalene, leading to fungal cell death. Terbinafine demonstrates potent activity against dermatophytes, achieves high local concentrations in the stratum corneum, and offers a favorable topical safety profile, making it one of the most clinically reliable agents in the topical antifungal category. We have formulated this product as a spray rather than a cream to directly address the practical limitations of conventional topical antifungals. The spray format enables uniform delivery across irregular or hard-to-reach skin surfaces, achieves rapid evaporation without leaving a greasy residue, and allows the active ingredient to reach toe web spaces and other confined anatomical areas where cream-based products are difficult to apply evenly. This formulation choice reflects our broader strategy of aligning dosage form with the specific clinical and patient-experience requirements of each indication.

Beyond our flagship antifungal products, we have built a broader antifungal portfolio spanning multiple active ingredients and dosage forms — including triamcinolone acetonide and econazole nitrate cream, and econazole nitrate solution — giving patients a diversified range of treatment options.

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Onychomycosis

Onychomycosis, commonly known as fungal nail infection, is characterized by its long treatment cycle, high recurrence risk, and frequent comorbidity with tinea pedis (athlete’s foot). Because the condition significantly impacts nail appearance and daily function — causing thickening, discoloration, and brittleness — patients typically seek effective cures. Furthermore, the risk of cross-infection within households and public environments creates an urgent need for effective management to prevent transmission.

However, the unique anatomy of the nail presents a formidable barrier to treatment. Fungi colonize the keratinized nail plate and bed, leading to structural destruction and separation of the nail plate. Clinical treatment has historically faced a dilemma between efficacy and safety: oral antifungals offer higher cure rates but carry risks of hepatotoxicity, limiting their use in elderly or compromised populations; conversely, traditional topical creams often fail to penetrate the hard nail plate effectively.

To resolve this, our product strategy focuses on overcoming the penetration barrier to balance efficacy with safety. We emphasize advanced delivery technologies — such as film-forming liniments and high-penetration creams — that enhance drug retention within the nail plate. This approach aims to deliver clinical outcomes comparable to oral therapies while maintaining the safety profile of topical treatments.

Luofu® Amorolfine Hydrochloride Liniment (洛芙® 鹽酸阿莫羅芬搽劑)

— #2 in its category online in 2025

Luofu® Amorolfine Hydrochloride Liniment is a potent, broad-spectrum antifungal agent classified as a Class A OTC product. In 2025, it ranked second in online sales within its category. The product is designed specifically to overcome the penetration barrier of the nail plate. Amorolfine, a morpholine antifungal, works by interfering with the biosynthesis of fungal sterols, altering cell membrane permeability and leading to fungal death. It exhibits a broad spectrum of activity against dermatophytes, yeasts, and molds.

We differentiate this product through advanced film-forming technology. Unlike conventional creams, this liniment dries within minutes to form a waterproof, invisible film on the nail surface. This film acts as a drug reservoir, continuously releasing the active ingredient into the nail plate and bed for up to seven days. This sustained-release mechanism allows for a once-weekly dosing regimen, significantly reducing the burden on patients compared to daily applications. The formulation achieves high local concentrations with minimal systemic absorption, effectively resolving the clinical conflict between potency and systemic safety.

Luofu® Ciclopirox Olamine Cream (洛芙® 環吡酮胺乳膏)

— #1 in its category across all channels in 2025

Luofu® Ciclopirox Olamine Cream is a high-penetration, broad-spectrum antifungal classified as a Class A OTC product. It ranked first in online sales in 2025. Clinically, it is positioned as a versatile solution for stubborn fungal infections, including onychomycosis and hyperkeratotic tinea pedis. Ciclopirox olamine employs a unique mechanism of action: it chelates essential metal cations (such as trivalent iron) within the fungal cell and disrupts cellular transport, acting as both a fungicide and an anti-inflammatory agent.

The key competitive advantage of this product lies in its exceptional penetrability. It can permeate the epidermis, hair follicles, and even the hard nail plate. This makes it particularly effective for our strategy of treating the nail and skin together. Since onychomycosis often co-exists with fungal infections of the surrounding skin, applying this cream to both the nail and the periungual tissue cuts off the cross-infection pathway, addressing a primary cause of recurrence that nail-only formulations may miss.

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Immune-Inflammatory Dermatoses

Immune-inflammatory dermatoses, such as atopic dermatitis, eczema and psoriasis, are characterized by their chronic nature and high susceptibility to recurrence, often requiring long-term or even lifelong management. These conditions are caused by immune system dysfunction, involving the overactivation of inflammatory pathways and skin barrier compromise. Patients suffer from persistent symptoms, most notably intense pruritus and visible lesions like erythema and scales, which significantly impact quality of life and social confidence.

A critical challenge in this therapeutic area is balancing the need for rapid symptom control with the safety required for long-term maintenance. While topical corticosteroids (TCS) are effective for acute flares, their prolonged use carries risks of adverse effects such as skin atrophy, telangiectasia, and dependence. Consequently, clinical demand has shifted toward a sequential management strategy: using potent agents to rapidly suppress acute inflammation, followed by safe, non-hormonal maintenance therapies to prevent recurrence and repair the skin barrier. Our portfolio addresses this continuum through potent corticosteroid combinations for acute severe cases and non-hormonal calcineurin inhibitors for long-term management and sensitive areas.

Lifu® Pimecrolimus Cream (麗芙®吡美莫司乳膏)

— ***#1 in its category online in 2025***

Lifu® Pimecrolimus Cream is a non-hormonal topical calcineurin inhibitor (TCI) indicated for mild-to-moderate atopic dermatitis. As the first generic version approved in China, it has rapidly captured market share, surpassing the original brand to rank first in online sales in 2025. The product addresses a critical need for treating sensitive skin areas where long-term topical corticosteroid use may be undesirable.

The primary advantage of pimecrolimus is its high safety profile. It selectively inhibits the release of inflammatory cytokines without causing skin atrophy, corticosteroid dependence, or telangiectasia. This makes it an ideal choice for delicate areas such as the face, neck, and skin folds, as well as for the long-term management of pediatric patients aged three months and older. By offering a safe alternative, it addresses the fear of steroids common among parents and patients, facilitating better adherence to maintenance regimens.

Lifu® Tacrolimus Ointment (麗芙®他克莫司軟膏)

Lifu® Tacrolimus Ointment is a potent non-hormonal calcineurin inhibitor designed for moderate-to-severe atopic dermatitis. In 2025, it ranked second in online sales within its category. Clinically, it serves as a cornerstone therapy for patients who do not respond adequately to traditional treatments or who require a steroid-sparing option for controlling substantial inflammation. By offering a potent anti-inflammatory mechanism without the side effects associated with long-term corticosteroid use, it provides a critical solution for the safe, long-term management of chronic dermatitis.

Tacrolimus works by inhibiting calcineurin to block T-lymphocyte activation, effectively suppressing the immune response driving the disease. We employ a concentration-stratified strategy to serve different patient populations: the 0.03% formulation is approved for pediatric use (ages two and above), balancing efficacy with safety for children, while the 0.1% formulation provides stronger potency for adult patients. This flexibility allows physicians to tailor treatment intensity to the patient’s age and disease severity, ensuring effective control of flare-ups while minimizing the risks associated with systemic immunosuppression.

BUSINESS

Jinniu’er[®] Compound Clobetasol Propionate Ointment (金紐爾[®]複方丙酸氯倍他素軟膏)

— #1 in its category across all channels in 2025

Jinniu’er[®] Compound Clobetasol Propionate Ointment is our proprietary exclusive drug. It is clinically positioned as a first-line therapy for psoriasis vulgaris and other inflammatory dermatoses accompanied by abnormal keratinization. The product represents a significant innovation by combining clobetasol propionate, a potent corticosteroid, with tretinoin, a retinoid.

This combination utilizes a synergistic mechanism to maximize efficacy while mitigating side effects. Clobetasol provides rapid and powerful anti-inflammatory action to control redness and itching, while tretinoin directly targets the pathological hyperkeratosis associated with psoriasis, normalizing cell differentiation. Crucially, the addition of tretinoin helps to counteract the skin-thinning effects typically associated with potent steroids, improving the safety profile for longer-term use. We enhanced this formulation with nano-lipid carrier technology, which promotes precise drug delivery to the epidermal target tissue while minimizing systemic absorption, effectively creating a skin-targeted delivery system.

Pigmentation Disorders (色素障礙性皮膚病)

Pigmentation disorders, including melasma and vitiligo, are among the most difficult-to-treat conditions in dermatology. They are characterized by their chronic nature, complex pathogenesis, and profound impact on patient psychology and social confidence. Melasma is often driven by both pigment overproduction and underlying vascular inflammation, while vitiligo results from the autoimmune destruction of melanocytes. Clinical management faces distinct challenges: traditional topical agents for melasma often fail to address the vascular component, leading to frequent recurrence, while vitiligo treatments often succeed in halting disease progression but struggle to induce actual repigmentation.

To address these unmet needs, we have developed a combined systemic and topical strategy. We utilize oral systemic agents to address the root causes — such as vascular inflammation and internal metabolic pathways — while deploying targeted topical formulations to directly stimulate pigment recovery or inhibit melanin transfer. This comprehensive approach aims to break the cycle of recurrence and achieve visible aesthetic restoration.

Lifu[®] Tranexamic Acid Tablets (麗芙[®]氨甲環酸片)

— #1 in its category online in 2025

Lifu[®] Tranexamic Acid Tablets is a classic systemic therapeutic agent classified as a Class B prescription drug. It is widely recognized in domestic and international clinical guidelines as a first-line basal therapy for melasma. In 2025, it ranked first in online sales within its category.

The product differentiates itself through a dual mechanism targeting both pigment and blood vessels. Unlike topical agents that only act on surface melanin, oral tranexamic acid acts as an anti-fibrinolytic agent to block the melanin synthesis pathway at its source. Crucially, it also inhibits Vascular Endothelial Growth Factor, effectively suppressing the capillary proliferation and inflammation that often underlie persistent melasma. This ability to simultaneously treat hyperpigmentation and vascular erythema makes it superior to single-target therapies. Furthermore, it serves as a critical adjunctive therapy in medical aesthetics. When combined with energy-based procedures (such as lasers and IPL), it stabilizes melanocyte activity, significantly reducing the risk of post-inflammatory hyperpigmentation to ensure safer and more sustainable aesthetic outcomes.

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Scalp and Hair Conditions

The scalp presents a unique therapeutic challenge in dermatology. Anatomically, the presence of dense hair makes traditional topical formulations — such as creams and ointments — difficult to apply, typically resulting in poor absorption and an unpleasant greasy, sticky feel that significantly undermines patient compliance. Clinically, the unmet needs in this category are dominated by three high-prevalence conditions: seborrheic dermatitis of the scalp, characterized by persistent dandruff, erythema, and intense itching with a strong tendency to recur; AGA, a progressive hair loss disorder affecting hundreds of millions of individuals; and inflammatory scalp conditions such as scalp psoriasis, characterized by stubborn, thick scaling plaques affecting over 50% of psoriasis patients. All three conditions require long-term topical disease management, making the choice of dosage form just as critical as the active ingredient.

To address the complex and interrelated needs of scalp and hair health, our strategy is to build a comprehensive disease management portfolio anchored by specialized dosage forms designed for hair-bearing areas. By combining pharmaceutical and medical-grade skincare products, we aim to integrate seamlessly into patients’ daily routines — providing a full continuum of care from core pathology treatment to ongoing scalp maintenance.

Jinniu’er® Calcipotriol Scalp Liniment (金鈕爾®卡泊三醇搽劑)

Jinniu’er® Calcipotriol Scalp Liniment is a Vitamin D3 derivative indicated for the treatment of scalp psoriasis. In July 2024, we obtained the registration approval for this product, becoming the first domestic enterprise to launch a generic version in China. This launch broke the long-standing monopoly of the original imported brand and established a market duopoly.

The core advantage of this product is its specialized liniment form. Traditional ointments for scalp psoriasis are difficult to apply through hair and leave a greasy residue that is hard to wash off — a major deterrent for daytime use. Our liniment uses a volatile alcohol-based vehicle that penetrates rapidly through the hair to reach the scalp lesions and dries quickly without leaving a sticky residue. Pharmacologically, calcipotriol binds to Vitamin D receptors to normalize the proliferation and differentiation of keratinocytes, directly correcting the pathological scaling of psoriasis while suppressing local inflammation. This combination of efficacy and cosmetic elegance defines it as the standard of care for long-term maintenance.

ZHIMAO® Minoxidil Liniment (質茂®米諾地爾搽劑)

ZHIMAO® Minoxidil Liniment is a topical vasodilator indicated for AGA and alopecia areata. We obtained registration approval in May 2025, launching it as a foundational product to anchor our hair health portfolio. Minoxidil is one of the only two FDA-approved drugs for hair loss.

Mechanistically, minoxidil acts as a potassium channel opener, dilating the capillaries surrounding hair follicles to enhance nutrient and oxygen supply, while simultaneously inducing resting follicles (telogen phase) to enter the active growth phase (anagen phase) and prolonging their growth duration. By offering this product as a liniment, we ensure deep follicular penetration while maintaining a non-greasy profile suitable for twice-daily application. To this end, we have built out a full portfolio covering both 2% and 5% concentrations to meet precise clinical needs: the 5% concentration is the first-line standard of care for male AGA per clinical guidelines, delivering stronger hair growth stimulation; while the 2% concentration is broadly indicated for female hair loss patients and those with mild symptoms or sensitive skin, preserving efficacy while reducing the risk of local irritation and facial hypertrichosis. Its addition to our pipeline allows us to capture the strong demand of the hair loss market and synergizes with our broader anti-inflammatory and scalp care portfolio to provide a comprehensive scalp health solution.

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ZRVIVE Selenium Sulfide Anti-Dandruff Shampoo (質潤®二硫化硒去屑洗髮水)

ZRVIVE Selenium Sulfide Anti-Dandruff Shampoo is a professional therapeutic shampoo specifically engineered for the management of seborrheic dermatitis, severe dandruff, and pruritus. As the flagship product in our functional scalp care portfolio, it has successfully bridged the gap between clinical treatment regimens and daily user care.

The product contains 1% imported pharmaceutical-grade selenium sulfide, an active ingredient recommended by clinical guidelines for the treatment of seborrheic dermatitis and dandruff, optimized to balance therapeutic potency with safety. Pharmacologically, selenium sulfide exerts a dual mechanism of action: it effectively inhibits the proliferation of *Malassezia* (the fungal cause of dandruff) while simultaneously providing a cytostatic effect to normalize epidermal cell turnover, thereby reducing desquamation. Additionally, it regulates excessive sebum production, addressing the root cause of the “oily scalp” environment that fuels recurrence. Efficacy studies conducted by authoritative institutions in China and abroad, as well as Grade A tertiary hospitals in China, have confirmed its significant oil-control and anti-dandruff capabilities, with sustained prevention of recurrence observed even after discontinuation.

We established high technical barriers for this product by resolving long-standing formulation challenges associated with selenium sulfide. Utilizing a proprietary suspension technology, we engineered a liquid crystal matrix combined with a carbomer base. This innovation solves the sedimentation issues common in traditional formulations, ensuring uniform distribution of the active ingredient without the need for vigorous shaking. Furthermore, our specialized anti-oxidation system prevents the active ingredients from degrading or discoloring during storage by precisely regulating the surfactant profile and redox balance. These technologies transform what is typically a rough, medicinal formulation into a product with a smooth, cosmetic-grade texture, significantly enhancing patient compliance.

OUR PRODUCT PIPELINE

As of the Latest Practicable Date, our research and development pipeline included over 30 product candidates at various stages of development. These candidates are designed to address specific unmet medical needs, such as improving patient adherence, enhancing drug delivery to hard-to-treat tissues, or reducing systemic side effects. We have established a diversified pipeline strategically organized around the same six core disease areas as our commercial portfolio. By aligning our pipeline development with our established commercial portfolio, we ensure a continuous stream of innovative products that leverage our existing brand equity and channel resources to drive sustainable growth.

Innovative Drug Candidate Pipeline

As of the Latest Practicable Date

Therapeutic Area	Product Name	Drug Classification	Indication	Development Stage	Next Milestone	Rights / Origin
Nasofacial Dermatoses	ZYG24002	Modified New Drug (Class 2.2+2.4)	Seborrheic dermatitis	Phase I Clinical Trial	Phase II Clinical Trial expected to commence H1 2027	Self-developed
Superficial Fungal Infections	ZYG24004	Modified New Drug (Class 2.2+2.4)	Tinea pedis	IND Approved	Phase I Clinical Trial expected to commence H2 2026	Self-developed
Onychomycosis	ZYG24012	Modified New Drug (Class 2.2)	Onychomycosis	IND Approved	Phase I Clinical Trial expected to commence H1 2027	Self-developed

Generic Drug Candidate Pipeline

As of the Latest Practicable Date

Therapeutic Area	Product Name	Dosage Form	Indication	Regulatory Status	Next Milestone
Nasofacial Dermatoses	Clindamycin Phosphate and Benzoyl Peroxide Gel	Gel	Acne vulgaris	NDA Submitted	Approval expected H1 2027
	Adapalene and Benzoyl Peroxide Gel	Gel	Acne vulgaris	NDA Submitted	Approval expected H1 2027
Immune -Inflammatory Dermatoses	Hydrocortisone Butyrate Cream	Cream	Eczema; dermatitis	NDA Submitted	Approval expected H2 2026
	Crisaborole Ointment	Ointment	Mild-to-moderate atopic dermatitis	NDA Submitted	Approval expected H2 2026
	Calcipotriol and Betamethasone Ointment	Ointment	Plaque psoriasis	BE Trial Completed	NDA Submission expected H2 2026
Superficial Fungal Infections	Terbinafine Hydrochloride Film-forming Solution	Film-forming solution	Tinea pedis (Athlete's Foot)	NDA Submitted	Approval expected H2 2026
Scalp and Hair Conditions	Finasteride Tablets	Tablet	Androgenetic alopecia	NDA Submitted	Approval expected H2 2026

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Nasofacial Dermatoses

ZYG24002

ZYG24002 is a Class 2.2+2.4 Modified New Drug candidate developed for the treatment of seborrheic dermatitis. We obtained clinical trial approval for this candidate in November 2025. ZYG24002 is an emulsion formulation specifically designed for facial, sebum-rich and hair-bearing application scenarios, aimed at improving on the heaviness, greasiness and poor spreadability that can characterize traditional cream formulations, thereby enhancing patient experience and adherence. The product adopts a low-viscosity, rheology-optimized emulsion system to support topical application, epidermal delivery and local retention. Non-clinical studies have demonstrated improvements in lesion appearance, inflammatory factors and histopathology in seborrheic dermatitis animal models. The product also incorporates soothing excipients and a metered vacuum pump system to improve local tolerability, dosing accuracy and ease of use, positioning ZYG24002 as a safe, non-corticosteroid option for long-term disease management.

Clindamycin Phosphate and Benzoyl Peroxide Gel (克林黴素磷酸酯過氧化苯甲醯凝膠)

This product is a compound gel containing 1% clindamycin and 5% BPO, a regimen widely recognized by global guidelines as a first-line therapy for mild-to-moderate acne. We were the first in China to submit the ANDA for this product in May 2025. The combination leverages synergistic mechanisms: BPO acts as a potent oxidizing agent to kill bacteria and dissolve comedones, while clindamycin inhibits bacterial protein synthesis to reduce inflammation. Crucially, the oxidative action of BPO helps to mitigate the development of antibiotic resistance, a common challenge with single-agent antibiotic therapies. Our formulation technology successfully overcomes the stability challenges inherent in combining a strong oxidizer with an antibiotic, offering a high-quality, stable alternative to imported brands, and improving adherence for acne patients with multi-mechanistic disease who use multiple topical agents concurrently.

Adapalene and Benzoyl Peroxide Gel (阿達帕林過氧化苯甲醯凝膠)

Adapalene and Benzoyl Peroxide Gel is a compound topical formulation combining adapalene, a third-generation retinoid, with BPO. We submitted the ANDA for this product in May 2025 and anticipate approval in the first half of 2027. This combination simultaneously targets the three primary pathogenic mechanisms of acne: adapalene normalizes follicular keratinization and exerts anti-inflammatory activity by selectively binding to nuclear retinoic acid receptors, while BPO delivers rapid bactericidal action by releasing oxygen free radicals that directly kill *Cutibacterium acnes*. Critically, BPO’s oxidizing mechanism also reduces the risk of antibiotic resistance, which is a persistent limitation of single-agent antibiotic therapies. By combining two complementary mechanisms in a single formulation, this product simplifies the treatment regimen relative to concurrent use of separate products, which is expected to significantly improve patient adherence. Our proprietary formulation technology stabilizes this combination, overcoming the compatibility challenges inherent in combining a retinoid with a strong oxidizing agent.

Superficial Fungal Infections

Terbinafine Hydrochloride Film-forming Solution (鹽酸特比萘芬塗膜劑)

The Terbinafine Hydrochloride Film-forming Solution is a novel topical formulation designed to optimize the treatment of tinea pedis (athlete’s foot) and other superficial fungal infections. We submitted the ANDA for this product in August 2024 and anticipate approval in the second half of 2026. Unlike traditional creams, this product utilizes proprietary film-forming technology to create an invisible, drug-loaded reservoir on the skin surface upon application. This reservoir facilitates the continuous, sustained release of terbinafine hydrochloride into the stratum corneum, maintaining fungicidal concentrations for an extended period. This mechanism addresses the issue of poor compliance by enabling a simplified dosing regimen, reducing the frequency of application or the total duration of treatment required.

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ZYG24004

ZYG24004 is a Class 2.2+2.4 Modified New Drug currently in preclinical development. The IND application for this candidate was accepted in March 2026. Developed specifically for tinea pedis, this candidate is designed to explore the potential for a single-application or shorter-course therapy, subject to clinical validation. It leverages an advanced polymer delivery system designed to maximize drug deposition and retention in the stratum corneum after a single application. By maintaining long-acting fungicidal concentrations from just one dose, ZYG24004 seeks to reduce the burden of daily adherence that often leads to treatment failure in traditional topical therapies.

Onychomycosis

ZYG24012

ZYG24012 is a Class 2.2 Modified New Drug specifically engineered to treat onychomycosis. The IND application for this candidate was accepted in March 2026. Addressing the barrier of nail plate penetration, this formulation utilizes a supersaturated delivery system combined with polymer film technology. It is designed to create a thermodynamic drive that forces the antifungal agent through the dense keratin of the nail plate, achieving significantly higher drug concentrations in the nail bed compared to standard topical treatments. This high penetration plus sustained release profile aims to reduce the daily dosing burden associated with long-term onychomycosis treatment.

Immune-Inflammatory Dermatoses

Hydrocortisone Butyrate Cream (丁酸氢化可的松乳膏)

Hydrocortisone Butyrate Cream is a mid-potency, halogen-free topical corticosteroid indicated for the treatment of eczema and dermatitis. We submitted the ANDA for this product in January 2025 and anticipate approval in the second half of 2026, at which point it would become the first domestic generic to receive approval under the new regulatory classification for this product. As a halogen-free corticosteroid, hydrocortisone butyrate occupies a clinically important position between low-potency agents with limited efficacy and high-potency fluorinated steroids that carry greater risk of adverse effects including skin atrophy and systemic absorption. By esterifying hydrocortisone at the C-17 position with butyric acid, the molecule achieves substantially enhanced skin penetration and anti-inflammatory potency relative to plain hydrocortisone, while retaining the safety profile associated with the absence of halogen substitution. This balance between efficacy and safety makes it a clinically valuable topical corticosteroid option in the management of eczema and dermatitis, particularly suited to treatment scenarios where anti-inflammatory efficacy and local tolerability must both be considered.

Crisaborole Ointment (克立鹼羅軟膏)

Crisaborole Ointment is a non-steroidal, small molecule PDE-4 inhibitor indicated for the treatment of mild-to-moderate AD. We submitted the ANDA for this product in January 2025 and anticipate approval in the second half of 2026. By selectively inhibiting PDE-4, crisaborole blocks the intracellular breakdown of cAMP, which in turn suppresses the production and release of pro-inflammatory cytokines including IL-4, IL-13, and TNF- α that are central to the pathogenesis of AD. As a non-steroidal agent, crisaborole does not carry the risks of skin atrophy, telangiectasia, or hypothalamic-pituitary-adrenal axis suppression associated with TCS. This profile makes it well-suited for long-term maintenance therapy and for use on sensitive areas such as the face, neck, and skin folds where corticosteroid use is typically restricted.

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Calcipotriol and Betamethasone Ointment (卡泊三醇倍他米鬆軟膏)

Calcipotriol and Betamethasone Ointment is a fixed-dose combination topical formulation indicated for the treatment of plaque psoriasis. We have completed the BE trial for this product and intend to submit the ANDA in the second half of 2026. The formulation combines calcipotriol, a synthetic Vitamin D3 analog, with betamethasone dipropionate, a potent fluorinated corticosteroid. The two active ingredients operate through complementary and mutually reinforcing mechanisms: calcipotriol normalizes the aberrant proliferation and differentiation of keratinocytes by binding to Vitamin D receptors, directly addressing the excessive epidermal cell turnover that produces the characteristic scaling plaques of psoriasis; betamethasone dipropionate simultaneously delivers potent anti-inflammatory and immunosuppressive effects by inhibiting the release of pro-inflammatory cytokines. This dual mechanism produces a faster and more sustained clinical response than either agent alone, and the inclusion of calcipotriol allows for a reduction in the cumulative corticosteroid dose required, thereby mitigating the risk of steroid-related adverse effects over long-term use. The combination is recognized by major international dermatology guidelines as a first-line therapy for plaque psoriasis and represents a significant commercial opportunity given the current reliance on imported originator brands in this indication.

Scalp and Hair Conditions

Finasteride Tablets (非那雄胺片)

Finasteride Tablets (1mg) is the only oral 5 α -reductase inhibitor approved by the FDA for the treatment of AGA in men. We submitted the ANDA for this product in December 2024. Pharmacologically, it works by blocking the conversion of testosterone to dihydrotestosterone, the key androgen responsible for hair follicle miniaturization. The addition of finasteride to our portfolio completes our strategic loop in hair loss management, enabling us to offer an oral and topical combination therapy using finasteride and minoxidil. This combination is clinically recognized as an effective regimen for arresting hair loss and promoting regrowth, allowing us to cater to the full spectrum of patient needs in the hair health market.

RESEARCH AND DEVELOPMENT

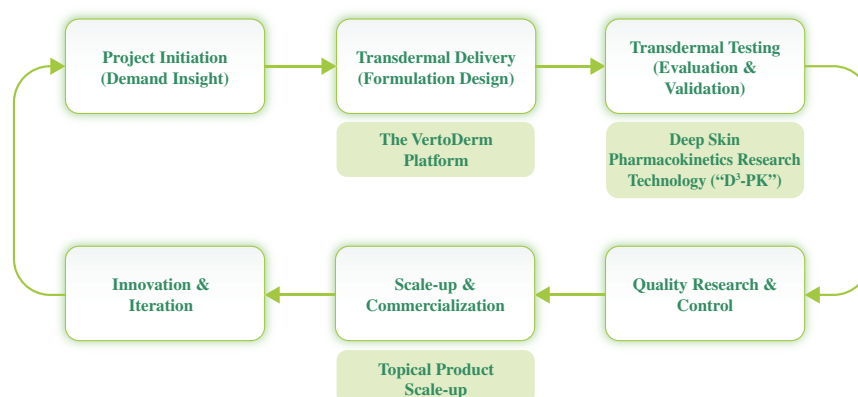
Research and development is central to our business strategy and competitive positioning. We have built comprehensive R&D capabilities specialized in topical dermatology formulation science, enabling us to develop differentiated products that address unmet needs and create sustainable competitive advantages.

R&D Process

Our R&D philosophy is anchored in clinical value, with emphasis on a drug’s real-world performance in clinical practice and daily patient use. For chronic and recurrent skin conditions, that clinical value derives not only from a drug’s active ingredient but equally from its formulation: practical attributes such as texture, tolerability on sensitive skin, and spreadability at hair-bearing sites directly affect patient adherence and, in turn, treatment outcomes. By considering patient usage scenarios, administration sites, and disease mechanisms together, we design delivery systems that form the basis of modified new drugs and complex generics with clear clinical advantages and high technical barriers. Proprietary technology platforms are embedded throughout the development process to validate and optimize each product candidate before launch, with the goal of achieving effective drug delivery to the lesion site while improving the patient experience and supporting long-term adherence.

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The following diagram illustrates our integrated six-step R&D process flow, highlighting the interaction between our strategic initiation, proprietary technology platforms, and continuous lifecycle management:



Project Initiation (Demand Insight)

Our R&D projects originate from a structured internal process in which we reference clinical treatment guidelines against real-world patient behavior and prescribing patterns. Projects are initiated where this analysis identifies a specific gap between the existing standard of care and unmet patient needs, rather than on the basis of patent expiration schedules or aggregate market size data alone.

Skin conditions vary considerably by type, anatomical location, and patient demographics. A treatment for facial acne demands a fundamentally different sensory profile than a treatment for hyperkeratotic tinea pedis. At the initiation stage, we systematically assess the shortcomings of existing therapies in clinical practice: whether efficacy is undermined by a mismatch between dosage form and application site, whether safety concerns limit the duration of steroid use, or whether a complex application process leads patients to abandon their regimen.

We employ a data-driven evaluation model to quantify the potential of each candidate project. By integrating epidemiological data — including patient population trends, diagnosis rates, and treatment pathway characteristics — with an assessment of the competitive environment and reimbursement policy dynamics, we evaluate both the scientific feasibility and commercial viability of each opportunity. This process ensures that our R&D resources are directed toward projects where we can deliver a measurable clinical improvement, rather than merely contributing another undifferentiated generic alternative to the market.

Transdermal Delivery (Formulation Design)

The VertoDerm Platform

The VertoDerm Platform is our proprietary polymer-based topical local delivery platform. Designed for dermatological local treatment across the skin, scalp, foot, and nail plate, the platform employs functional polymers and structured formulation design to exercise precise control over drug release, retention, permeation, dispersion, and stabilization within local tissue. This has translated into meaningful improvements in topical drug local exposure, product stability, and patient convenience.

Unlike conventional topical formulations — which are typically built around a single dosage form, such as a cream, gel, or solution — the VertoDerm Platform is not defined by or confined to any particular dosage form or material. It is a versatile formulation technology system that can be flexibly adapted to the physicochemical properties of different APIs, the barrier characteristics of different target sites, and the practical requirements of different clinical use scenarios. The platform has successfully resolved several of the most persistent challenges in topical formulation development, including: difficulty maintaining

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high local drug concentrations; drug crystallization out of solution; formulation runoff at irregular or difficult administration sites; poor nail plate penetration; emulsion and dispersion system instability; API instability in aqueous formulations; and inadequate patient adherence arising from high-frequency dosing requirements.

The VertoDerm Platform is currently deployed across multiple internal topical innovative drug programs, spanning scalp-directed local delivery, immune-inflammatory topical emulsions, onychomycosis treatment, long-acting film-forming treatment for tinea pedis, and topical formulations containing water-sensitive small molecule APIs. Across these programs, the platform has been validated for its performance in high local drug retention, low systemic exposure, waterproof film-forming, sustained release, enhanced transdermal and transungual delivery, dispersion system stabilization, and chemical stability preservation — with all relevant technical validations completed and confirmed to have met their performance targets.

Supported by authorized project-level formulation patents, clinical trial approvals, and established pipeline assets, the VertoDerm Platform has developed into a sustainably expandable topical formulation technology asset. We have further advanced the development of next-generation proprietary polymer materials, which are expected to strengthen the platform’s technical differentiation and product incubation capacity across additional topical treatment applications.

The VertoDerm Platform operates through five specialized technical modules, each addressing a distinct category of formulation challenge:

Module I: Local Retention and Low Systemic Exposure

This module is primarily applicable to highly active small molecules, scalp-directed therapies, and topical drugs where minimizing systemic absorption is a clinical priority.

Through polymer-mediated precise control of local drug retention and formulation rheology, this module enables targeted administration, meaningfully increasing drug exposure at the treatment site while suppressing unnecessary systemic absorption. The technology has been validated in scalp local treatment programs, where the dual imperative — maximizing local therapeutic concentrations while minimizing systemic exposure and ensuring a comfortable application experience — has historically been difficult for conventional formulation approaches to satisfy simultaneously.

Module II: Rheology Control and Application Experience Optimization

This module addresses the application challenges that arise at anatomically difficult or irregular administration sites, including the scalp, plantar surface, toe web spaces, periungual area, and large-area cutaneous lesions.

Using polymers to control formulation viscosity, spreadability, and flow behavior, the module resolves the common problems of dripping, excessive stickiness, and uneven product distribution that can occur when applying topical treatments at these sites, substantially improving the patient experience. In the development of ZYG24002, the module addressed the combined challenges of emulsion dispersion system stability, application texture, and transdermal delivery at scalp and nasal-facial administration sites. A polymer network was engineered to stabilize the dispersion system, delivering improvements in physical stability, spreadability, and drug delivery efficiency.

Module III: Film-Forming Local Drug Reservoir and Sustained Release

This module is particularly applicable to tinea pedis, onychomycosis, and other conditions requiring long-acting treatment at the plantar surface, nail plate, or stratum corneum.

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By forming a stable film-based local drug reservoir at the site of administration, the module enables continuous drug release over an extended period, prolongs local drug retention, and supports a reduced dosing frequency — with direct benefit to patient adherence. The module has been deployed in both tinea pedis and onychomycosis treatment programs. In the development of ZYG24004, the central technical challenge was the plantar surface’s susceptibility to abrasion and washing, which undermines conventional cream formulations that require frequent reapplication. The waterproof film-forming and sustained-release design of this module supports an approximately once-application dosing approach, directly addressing the adherence limitations that characterize traditional antifungal therapy for this indication.

Module IV: Transdermal and Transungual Delivery and Local Supersaturation Control

This module is designed for topical drugs that face the dense permeation barriers of the nail plate or stratum corneum, where achieving clinically effective concentrations in local tissue is inherently challenging.

The module employs a multi-pronged approach — local concentration enhancement following solvent evaporation, polymer-mediated crystallization inhibition, and local drug reservoir design — to significantly improve drug delivery efficiency and sustained tissue exposure in both skin and nail plate. In the development of ZYG24012 for onychomycosis, the central challenge was the formidable resistance of the nail plate to drug penetration. A film-forming local reservoir design combined with transungual delivery engineering achieves enhanced nail penetration, high local retention, and sustained drug exposure at the nail bed.

Module V: Dispersion System Stability and Chemical Stability Enhancement

This module addresses formulation challenges specific to emulsions, suspensions, and oil-droplet dispersion systems, as well as topical formulations in which the active ingredient is unstable when formulated in an aqueous environment.

Through polymer network construction and microenvironment engineering within the formulation, the module improves both the physical stability of the dispersion system and the chemical stability of the active ingredient, without compromising local drug delivery efficiency. The technology has been successfully applied to topical formulations containing water-sensitive small molecule APIs, providing a viable formulation pathway for drug substances prone to hydrolysis in aqueous carrier systems.

Technical Advantages

The defining advantage of the VertoDerm Platform lies in its versatility across delivery scenarios. Conventional topical formulations are designed within the constraints of a specific dosage form — a cream functions as a cream, a gel as a gel. The VertoDerm Platform instead treats functional polymers as a common engineering tool, combining different polymer modules to address the specific API physicochemical characteristics and anatomical demands of each target site and clinical application. This cross-dosage-form flexibility enables the platform to function as an adaptive formulation solution layer rather than a dosage-form constraint.

Transdermal Testing (Evaluation & Validation)

The greatest technical risk in topical R&D is false equivalence — creating a formulation that appears identical to the reference drug but fails to deliver the active ingredient into the target tissue. Unlike oral drugs where blood concentration is a reliable proxy for efficacy, topical drugs generally do not enter the bloodstream, and therefore lack a straightforward, well-established method for directly assessing therapeutic efficacy. As clinical trials using clinical endpoints are time- and resource-intensive, we have developed transdermal research technologies that can be used to predict the intradermal distribution of topical drugs.

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Deep Skin Pharmacokinetics Research Technology (D³-PK)

Our D³-PK platform enables us to quantitatively map the deep skin pharmacokinetics of our formulations. We have established a D³-PK deep skin pharmacokinetics evaluation platform based on IVPT, tape stripping and high-sensitivity LC-MS/MS quantitative detection, to quantitatively analyze the penetration, distribution and retention characteristics of topical formulation active ingredients across different skin layers. The platform goes beyond measuring cumulative drug permeation through the skin to further analyze drug distribution within the stratum corneum and other skin tissues, providing quantitative evidence to support formulation screening, process optimization and candidate development decisions.

To support the platform’s continuous operation, we have established a dedicated IVPT research team of over 20 specialists, equipped with 10 fully automated transdermal diffusion systems comprising 120 diffusion cells in total, and three high-sensitivity LC-MS/MS detection systems. This configuration enables us to conduct parallel IVPT and skin layer quantification studies across multiple formulations, batches and conditions, meeting the demands of ultra-low detection (down to 1 pg/mL), multi-API complex detection and suspension sample analysis. In our day-to-day R&D operations, we typically complete over 360 samples and 3,600 tests per week, having accumulated transdermal testing research across more than 30 active ingredients.

We have established deep collaborative relationships with international leaders in the field, including joint laboratories with Logan Instruments and Thermo Fisher, to co-develop standardized testing methodologies that align with the most stringent FDA and NMPA requirements. Through this platform, we deploy advanced analytical techniques such as tape stripping, skin layer separation, and MSI to visualize and quantify drug distribution layer-by-layer. This capability allows us to verify whether an antifungal drug is concentrating in the stratum corneum or an anti-inflammatory agent is reaching the dermis, providing more scientifically grounded and precise guidance for topical drug development. This rigorous validation process has been instrumental in the development of over 30 complex formulations, including our Terbinafine Hydrochloride Film-forming Solution and Pimecrolimus Cream.

Quality Research & Control

Topical formulations are complex multi-phase systems — often containing oil, water, surfactants, and suspended particles — that are far more sensitive to process parameters and environmental factors than oral solid dosages. A slight deviation in cooling rate, mixing speed, or storage temperature can alter the microstructure of a cream, affecting its viscosity, release rate, and ultimate clinical efficacy. Therefore, conventional quality standards are often insufficient to guarantee the consistency of topical products.

Quality Control Parameters

To address the complexity of topical formulations, we control over 20 micro-structural parameters — including particle size, crystal habit, and rheological behavior — setting thresholds above regulatory requirements calibrated to the specific needs of each product and dosage form. This higher standard ensures every unit we produce maintains the precise consistency and stability required for effective long-term treatment.

These indicators cover the micro-structural and performance-based properties of the formulation. They include rheological behavior, which predicts how the cream spreads on the skin; droplet size distribution, which affects stability and absorption; crystal habit, which influences dissolution rates; and water activity, which impacts microbial stability. We also conduct rigorous IVRT and assess the interaction between the formulation and its packaging system. By strictly controlling these critical quality attributes during the R&D phase, we ensure that the product’s performance remains robust and consistent as it transitions from the laboratory bench to mass production.

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Scale-up & Commercialization

The transition from laboratory batch to commercial batch is often the critical challenge point for topical products. The scale-up effect — where changes in heat and mass transfer rates at larger volumes alter the product’s physical properties — can lead to batch failures or instability. We address this risk through a scientifically rigorous engineering approach rather than trial-and-error.

Topical Product Scale-up

Topical Product Scale-up bridges the gap between R&D and commercial manufacturing through the use of advanced simulation and data analysis. Drawing on the large volume of data accumulated over years of small-scale, pilot, and commercial production runs, we pre-judge scale-up parameters and map the critical process parameters — such as shear rate, cooling curves, and agitation speed — of our pilot equipment against our commercial production tanks. This allows us to mathematically predict and offset scale-up effects, ensuring a high success rate for technology transfer.

The platform is integrated with intelligent manufacturing equipment, including vacuum homogenizers that support real-time data monitoring. We employ online quality control to track key indicators such as pH, viscosity, and particle size distribution continuously during the manufacturing process, ensuring batch-to-batch uniformity. Furthermore, the platform integrates GMP compliance directly into the scale-up process, covering comprehensive equipment qualification (IQ/OQ/PQ) and cleaning validation. This holistic approach ensures that our processes are not only technically robust but also fully compliant with regulatory standards, facilitating rapid commercialization.

Innovation & Iteration

Our R&D process does not end with product launch. We view commercial application as the start of a new cycle of innovation. We actively monitor post-market feedback and clinical usage data to identify residual unmet needs, which are then fed back into the project initiation phase to drive the innovation and iteration of products. These innovations are validated through our R&D cycle and re-introduced to the market, creating a sustainable engine for product evolution and sustained market competitiveness.

R&D Organization and Capabilities

As of the Latest Practicable Date, our R&D organization comprised over 100 professionals dedicated to topical dermatology product development. Our team includes experts in formulation science, analytical chemistry, dermatological research, regulatory affairs, and clinical development, providing comprehensive capabilities across the development lifecycle.

We have participated as company representatives in CDE expert discussion meetings on relevant research and technical guidance principles in the topical dermatology field, including the Technical Guidance Principles for IVRT and IVPT Studies of Locally Acting Chemical Generic Drugs. We have also contributed to the drafting of the Cosmetic Ingredient Transdermal Test Method Standards by the National Institutes for Food and Drug Control. In addition, we collaborate with the Jiangsu Institute for Drug Control on transdermal analysis technology, and are jointly advancing the development of standards and specifications for transdermal diffusion instruments with the Wuxi Institute of Inspection, Testing and Certification.

Our R&D facilities are located at our Wuxi campus and encompass approximately 3,000 square meters of laboratory and pilot-scale manufacturing space. Our facilities include specialized equipment for formulation development, analytical testing, stability studies, and small-scale manufacturing. We operate a CNAS-accredited laboratory and a BSL-2 biosafety laboratory for dermatological research.

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Collaboration with CROs

In addition to our in-house R&D activities, we also collaborate with reputable CROs to manage, conduct, and support our preclinical research and clinical development. Depending on the specific services required, we enter into project-based service agreements, or in certain cases, framework agreements under which individual project-based arrangements are subsequently executed, outlining the detailed scope of work, procedures, deliverables, timelines, and payment terms.

When selecting CRO partners, we consider a range of factors such as their professional qualifications, relevant research experience, service quality and efficiency, industry reputation, and pricing competitiveness. Many CROs we collaborate with are among the well-recognized players in the industry. We maintain close supervision of our CRO partners to ensure their performance fully complies with our protocols and all applicable regulations. We require our CRO partners to provide regular or periodic progress updates on project execution, and we conduct periodic audits on them. This rigorous oversight helps protect the integrity and authenticity of the data generated from our studies and trials.

Key terms of agreements we typically enter into with our CROs are set forth below:

- **Services.** The CRO provides services including preclinical studies, laboratory testing, pharmaceutical technology development, clinical trial technical services and other specialized tasks aligned with our needs, as specified in the agreement. The CRO is required to complete the relevant project within the agreed timeline.
- **Payments.** We make payments in accordance with the contract price or payment schedule agreed by both parties, which may include lump-sum payments upon project completion, milestone-based instalments, or periodic settlements, depending on the nature of the services.
- **Intellectual property rights.** Where applicable, we retain ownership of the research results and related intellectual property rights generated from the projects.
- **Risk allocation.** Each party bears responsibility for losses arising from its own fault or gross negligence. If the project fails due to technical difficulties or other circumstances beyond control, each party shall bear its own resulting losses.

Material Licensing Arrangements

License Agreement for Sarecycline Hydrochloride Tablets

In December 2025, we entered into an exclusive license agreement and a supply agreement with a U.S. biopharmaceutical company, pursuant to which we obtained an exclusive license to import, repackage and commercialize Sarecycline Hydrochloride Tablets in Chinese Mainland, Hong Kong and Macau. Under the agreement, we agreed to pay an upfront payment of EUR3.0 million and up to EUR5.0 million in aggregate milestone payments, payable upon the first commercial launch of the product, the first commercial sale of the product, the first achievement of certain annual net sales thresholds, and the achievement of certain supply price reduction targets, together with tiered royalties on annual net sales of the licensed product ranging from a single-digit percentage.

License Agreement for Terbinafine Hydrochloride Spray

In October 2021, we entered into a license agreement with a pharmaceutical company headquartered in China, pursuant to which the counterparty agreed to transfer to us the position of marketing authorization holder (“MAH”) of Terbinafine Hydrochloride Spray in Chinese Mainland on an exclusive basis, together with the corresponding exclusive rights to develop, manufacture and commercialize the product in Chinese Mainland. We agreed to pay aggregate fixed consideration of approximately RMB6.7 million, payable in installments upon signing and upon the acceptance and/or approval of the MAH change and the manufacturing site change. No royalties or sales milestone payments are payable under the agreement.

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License Agreement for Ferric Citrate Tablets

In September 2025, we entered into a license agreement with a biopharmaceutical company headquartered in China, and subsequently entered into a supplementary agreement thereto in January 2026, pursuant to which we granted the counterparty an exclusive license to develop, manufacture and commercialize Ferric Citrate Tablets in Chinese Mainland, while retaining all rights to the product outside Chinese Mainland. The counterparty agreed to make an upfront payment of RMB5.0 million to us, and we are eligible to receive up to RMB290.0 million in aggregate milestone payments upon the achievement of certain development, regulatory, market access, operational and sales milestones, together with tiered double-digit royalties calculated based on the gross profit corresponding to the relevant tranche of annual net sales.

License Agreement for Pimecrolimus Cream

In January 2021, we entered into a license agreement with a biopharmaceutical company headquartered in China, which has subsequently been supplemented by four supplementary agreements, pursuant to which the counterparty agreed to transfer to us the position of MAH of Pimecrolimus Cream in Chinese Mainland on an exclusive basis, together with the corresponding exclusive rights to develop, manufacture and commercialize the product in Chinese Mainland. We agreed to pay aggregate fixed payments of RMB3.4 million, payable in installments upon execution and effectiveness of the agreement, acceptance of the registration application for the product, and marketing approval of the product. Following commercialization, the parties will share the proceeds from sales of the licensed product on a tiered basis by reference to annual sales volume.

MANUFACTURING

We mainly manufacture our pharmaceutical products in-house to ensure the quality, safety, and stable supply of our products. During the Track Record Period, we held valid production licenses and the latest GMP certifications for all our workshops and production lines in operation. We have established a flexible and scalable production capability designed to meet the growing market demand for dermatology products. To support our future growth and the launch of new products, we are simultaneously in the process of constructing new production base in Wuxi. We believe that our existing facilities, combined with our expansion plans, are sufficient to meet our production needs in the foreseeable future.

In addition, we also source a portion of finished products from qualified third-party manufacturers and engage contract manufacturers to produce a portion of our products. Such arrangements are primarily driven by our portfolio planning and strategic business considerations, enabling us to efficiently expand our product offerings and optimize resource allocation. For all third-party sourced products or products produced by the contract manufacturers, we maintain stringent supplier qualification and quality oversight processes to ensure full compliance with our requirements.

Manufacturing Process

We operate tailored manufacturing processes for our pharmaceutical products in a variety of dosage forms, which primarily include semi-solid formulations (gel, cream and ointment), liquid formulations (lotion, liniment, paint, solution and spray), solid formulations (tablet) and traditional Chinese medicine products.

Semi-solid Formulations

The manufacturing process for our semi-solid products, including ointments, creams and gels, typically involves weighing, formulation, filling, and packaging. The formulation stage, which involves the mixing and emulsification of APIs and excipients, is identified as a critical process step where key parameters such as stirring speed, process temperature and particle size are strictly controlled to ensure product uniformity and stability. The following diagram summarizes the production process for our semi-solid formulations.

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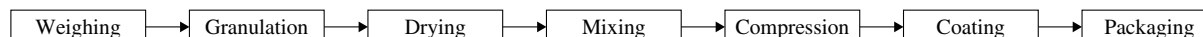
Liquid Formulations

The manufacturing process for our liquid formulation products, including solutions, lotions, sprays, liniments, and paints, typically involves weighing, formulation, filling, and packaging. The formulation stage, which involves the mixing of APIs and excipients, is identified as a critical process step. During this stage, key parameters such as stirring speed, process temperature, and viscosity are strictly controlled to ensure product uniformity and stability. The following diagram summarizes the production process for our liquid formulations.



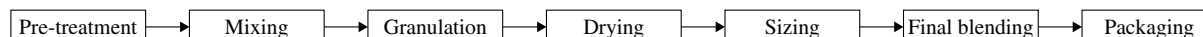
Solid Dosage Forms

The manufacturing process for our solid dosage products (tablets) generally involves weighing, granulation, drying, mixing, compression, coating, and packaging. We identify granulation, mixing and compression as critical process steps, during which we strictly monitor and control key parameters such as moisture content, mixing time, particle size, and content to ensure the consistency of drug content. The following diagram summarizes the production process for our solid dosage forms.



Traditional Chinese Medicines

The manufacturing process for our traditional Chinese medicine products typically involves pre-treatment, mixing, granulation, drying, sizing, final blending, and packaging. We identify granulation, drying, sizing, and mixing as critical steps. During these steps, we strictly monitor and control key parameters such as granule uniformity and moisture content to ensure the consistency of drug content. The following diagram summarizes the production process for our traditional Chinese medicines.



Manufacturing Facilities

We currently have two manufacturing facilities located in Wuxi, Jiangsu Province, and Chongqing. Our Wuxi facility serves as our primary manufacturing hub for semi-solid, liquid and solid formulations, occupying a site area of approximately 37,700 sq.m. As of the Latest Practicable Date, our Wuxi facility housed nine GMP-certified workshops with 20 production lines, capable of producing a wide range of dosage forms including ointments, creams, gels, paints, liniments, sprays, solutions, lotions, and tablets. Our Chongqing facility serves as our manufacturing hub for proprietary traditional Chinese medicines, occupying a site area of approximately 39,910 sq.m. As of the Latest Practicable Date, our Chongqing facility housed two GMP-certified workshops with three production lines, capable of producing a wide range of dosage forms including tablets and granules. As of the Latest Practicable Date, we believe our facilities and equipment are in good working condition, and we had not experienced any material or prolonged interruptions to our production process due to equipment or machinery failure.

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The following table sets forth our designed production capacity, actual production volume and utilization rate for production lines that are used in the production of semi-solid formulations, liquid formulations and solid dosage forms during the Track Record Period:

Production line	Unit	For the year ended December 31,									For the three months ended March 31,		
		2023			2024			2025			2026		
		Designed production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾
				(%)			(%)			(%)			(%)
Semi-solid													
Formulations . . .	'000 vials	22,500	22,098	98.2	65,400	21,380	32.7	65,400	23,773	36.3	16,350	5,780	35.4
Liquid Formulations . . .	'000 vials	35,000	25,080	71.7	35,000	28,230	80.7	35,000	26,880	76.8	8,750	5,340	61.0
Solid Dosage Forms . . .	tablets	400,000	5,960	1.5	400,000	28,320	7.1	400,000	157,792	39.5	100,000	44,800	44.8
Traditional Chinese Medicines	'000 tablets	176,040	63,010	35.8	160,875	23,400	14.6	160,875	32,175	20.0	40,219	30,000	74.6

Notes:

- (1) The designed production capacity is calculated based on the theoretical speed of the equipment, operating for 6.5 hours per shift and approximately 250 effective working days a year, and approximately 63 effective working days a quarter, on a single-shift basis.
- (2) Utilization rate is calculated by dividing the production volume by the designed production capacity.

During the Track Record Period, our utilization rate for our semi-solid formulations was relatively lower in 2024, primarily because we proactively commissioned additional production lines in anticipation of our advancing product pipeline, and these newly established lines were still in the early stages of capacity ramp-up. The utilization rate for solid dosage forms was relatively lower in 2023 and 2024, as the relevant products were either pending approval or had recently received approval. Conversely, the utilization rate and production volume for our traditional Chinese medicines were relatively high in 2023, mainly attributable to advance inventory stocking in preparation for the relocation to our new manufacturing facility. Following the successful compliance inspection of the new facility in August 2024, production volume at the new site has been gradually scaling up.

Our production plan is devised based on an annual, quarterly and monthly rolling forecasts of market demand at the beginning of each year with reference to historical sales records and anticipated level of sales orders, which will be adjusted in accordance with actual demand and inventory levels. See “— Logistics and Inventory Management — Inventory Management” for more details.

Raw Materials Suppliers and Procurement

The principal raw materials used for the production of our pharmaceutical products primarily consist of APIs, excipients, and packaging materials. Key APIs procured during the Track Record Period included bifonazole, pimecrolimus, hydroxychloroquine sulfate, metronidazole, clobetasol propionate, and tacrolimus. Our raw material supply is predominantly based on a domestic supply chain, with most of our raw materials sourced from suppliers in China. We do not have material reliance on international suppliers for our raw materials. See “— Quality Management — Supplier Management and Quality Control” for more details of our supplier management policy.

We generally maintain long-term business relationships with our major suppliers to secure a stable supply of key raw materials. For certain strategic raw materials, such as APIs for our core products, we typically enter into annual framework agreements or long-term supply contracts to lock in supply volumes and mitigate price volatility. The purchase price of our raw materials is primarily based on the prevailing

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market prices for raw materials of similar quality. Our suppliers are generally responsible for arranging the delivery of raw materials to our production facilities at their own costs. We are entitled to return any raw materials that do not meet our requirements.

Most of our principal raw materials are generally readily available on the market through a number of suppliers. We believe we have alternative sources for our principal raw materials with comparable quality and pricing. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delay in the supply of raw materials nor did we experience any significant increases in the prices of our major raw materials or fluctuations in raw material costs which had a material adverse impact on our results of operations or gross profit margins. See “Risk Factors — Risks Relating to Our Business and Industry — 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” for more details.

QUALITY MANAGEMENT

We believe that a robust and effective quality management system is the bedrock of our business sustainability and brand reputation. We uphold the quality management philosophy of “Quality by Design” and “Full Process Control,” ensuring that product quality is integrated into the full product lifecycle management, covering every stage from R&D to commercial manufacturing and post-market surveillance. As of the Latest Practicable Date, we had obtained valid drug production licenses and applicable GMP certifications for all our production workshops and lines in operation. To ensure the independence and authority of our quality supervision, we have established a dedicated quality management department, consisting of two functions, namely quality assurance and quality control. Our production facilities have also obtained ISO 9001 quality management system certification. Key aspects of our quality control and assurance procedures are as follows:

Quality Control in Product Design and Development

We adhere to the “Quality by Design” principle, integrating quality management considerations into the earliest stages of our product development. Our R&D quality management system covers the entire development process, from project initiation and small-scale experiments to pilot scale-up and technology transfer. We strictly follow Good Laboratory Practice and Good Clinical Practice standards in our preclinical studies and clinical trials. We have established standard operating procedures for experiment documentation, data integrity, and sample management to ensure the reliability and traceability of our research data. We have implemented a systematic process for technology transfer from the laboratory to commercial production. As we scale up from small-scale trials to mass production, we conduct rigorous validation of critical process parameters to ensure that the quality attributes of the final commercialized product remain consistent with those of the clinical or validated batches.

Supplier Management and Quality Control

We implement a rigorous supplier management system to ensure the safety and traceability of our upstream materials. We purchase raw materials, excipients, and packaging materials only from suppliers that have been rigorously screened and admitted to our approved supplier list. Our procurement and quality management departments jointly conduct comprehensive audits on potential suppliers, which include reviewing their qualifications, quality management systems, and production capabilities. We adopt a dynamic management approach, performing regular performance reviews on existing suppliers and removing those who fail to meet our requirements. We perform regular audits and performance reviews on our existing suppliers, including on-site audit for critical material suppliers. Upon receipt of raw materials, we perform strict incoming inspections. Our warehousing personnel verify packaging and documentation, and materials are stored in designated quarantine areas until they are sampled and tested by our quality control team against our internal standards, which are often more stringent than national standards. Only materials that pass these tests and are released by our quality personnel can be used in production.

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Product In-process Quality Control

Our quality control procedures are embedded throughout the manufacturing process to ensure product quality consistency and continuous compliance with GMP standards. We have established detailed standard management procedures and standard operating procedures for every production step. Our production management personnel and quality assurance personnel perform regular on-site monitoring and supervision of the production process, to ensure that all products are produced in accordance with the approved production processes. To prevent contamination and cross-contamination, we enforce strict clearance and cleaning procedures after the completion of each production batch and all clearance and cleaning procedures are internally validated in accordance with GMP requirements to ensure their effectiveness. We utilize computerized systems to monitor environmental conditions in our cleanrooms, such as temperature, humidity, and pressure differentials, and regularly monitor the microbial levels in cleanrooms, ensuring the production environment meets the required cleanliness standards.

Final Product Quality Control

We enforce a rigorous two-step release mechanism for our final products. First, each batch of finished products undergoes comprehensive laboratory testing by our quality control team, usually covering indicators such as content, impurities, and microbial limits. Second, our quality authorized person performs a holistic review of the entire batch documentation, including manufacturing batch records, in-process control data, and laboratory test records. The quality authorized person has the final authority to release the product to the market for sale only when all quality attributes are confirmed to be within quality standards. Products that fail to meet our quality standards are strictly quarantined and investigated, and destroyed in accordance with our non-conforming product procedures. We also retain samples of each batch of products and conduct regular observation within the validity period. At the same time, we conduct ongoing stability tests on each product to monitor its quality stability and reliability during its validity period.

Warehousing and Logistics Quality

Our WMS is designed to ensure the accuracy and integrity of our products during receiving, storage, shipment, and transportation. To adapt to the storage requirements of different types of materials and products, we have designated storage areas and ensure compliance with controlled temperature and humidity conditions, including specific zones for hazardous materials where applicable. We utilize WMSs to track inventory and ensure the "first-in, first-out" principle is followed. For logistics, we engage qualified third-party logistics providers and require them to adhere to GMP/GSP standards. We verify their transport capabilities, particularly for products requiring specific temperature controls during transit, to ensure that our products reach customers in optimal condition.

Pharmacovigilance and Customer Services

We attach great importance to post-market surveillance and customer feedback. In compliance with the Good Pharmacovigilance Practice, we have established a dedicated Pharmacovigilance function department to monitor and report adverse drug reactions. We established a systematic process for the collection, evaluation, and reporting of safety information to regulatory authorities. We have a comprehensive customer complaint handling mechanism. Our dedicated customer service team receives inquiries and complaints from users and distributors. Upon receipt of a quality-related complaint, our quality department initiates an investigation, traces the production records of the relevant batch, and tests retained samples if necessary. We are committed to responding to customer concerns promptly and taking appropriate corrective actions. As of the Latest Practicable Date, we had not experienced any material product recalls or quality-related disputes that had a material adverse effect on our business.

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INTELLECTUAL PROPERTY

Intellectual property protection serves as a core strategic pillar for our business development. We established a professional intellectual property department and have established a comprehensive, full-lifecycle intellectual property protection system. This system covers the entire value chain, including project initiation, research and development, clinical research, product launch, and post-market stages, building a continuous and robust innovation barrier for our core technologies and products. Our future commercial success depends, in part, on our comprehensive capabilities in the intellectual property domain. This includes continuously obtaining and effectively maintaining intellectual property protection for our core technologies, actively defending and enforcing our patent portfolio, strictly ensuring the confidentiality and security of our trade secrets, and ensuring that our business operations do not infringe upon the intellectual property rights of any third parties. Through systematic and proactive intellectual property management and strategic layout, we provide solid safeguards for our technological innovation and long-term sustainable development.

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.

We mainly acquire patents through self-development. As of the Latest Practicable Date, we owned all of our patents as well as patent applications and had no co-own or co-share arrangements of our patents and patent applications with third parties.

SALES AND MARKETING

Our Sales Network

During the Track Record Period, our products were sold in China. We have established a comprehensive and omnichannel sales network. We generate a substantial majority of our revenue through online wholesale, online retail and offline channels. Our sales team is structured to support this model. We have established dedicated teams for e-commerce operations, key account management for pharmacy chains, and academic promotion for medical professionals. This structure allows us to efficiently manage our diverse product portfolio.

The following table sets forth a breakdown of our revenue by sales channels during the Track Record Period:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Online sales										
Wholesale	401,675	39.0	459,005	40.8	522,425	39.5	122,946	41.9	126,806	37.7
Retail	76,533	7.4	186,931	16.6	245,496	18.5	55,497	18.9	81,259	24.1
Subtotal of online sales	478,208	46.4	645,936	57.4	767,921	58.0	178,443	60.8	208,065	61.8
Offline sales⁽¹⁾	541,490	52.5	463,819	41.2	540,299	40.8	112,526	38.4	123,439	36.6
Total sales of products	1,019,698	98.9	1,109,755	98.6	1,308,220	98.8	290,969	99.2	331,504	98.4
Others ⁽²⁾	10,862	1.1	15,945	1.4	15,450	1.2	2,226	0.8	5,274	1.6
Total	1,030,560	100.0	1,125,700	100.0	1,323,670	100.0	293,195	100.0	336,778	100.0

Notes:

(1) Our offline sales predominantly represent sales to distributors.

(2) Others mainly include the revenue from our technical services and others.

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Online Sales

Online Wholesale

Under our online wholesale model, we collaborate with major e-commerce platforms to sell our products. These platforms directly purchase products from us on a buy-out basis and resell them to users through their own online platforms. We leverage their extensive user base, established logistics infrastructure, and strong platform endorsement to achieve broad market penetration and rapid sales volume growth. The adoption of the online wholesale model is the common industry practice of the topical dermatology drug industry in China, according to Frost & Sullivan.

As of March 31, 2026, we collaborated with seven online wholesale customers. During the Track Record Period, our revenue from sales of products through online wholesale channels was RMB401.7 million, RMB459.0 million, RMB522.4 million and RMB126.8 million, which approximately accounted for 39.0%, 40.8%, 39.5% and 37.7% of our total revenue for the years ended December 31, 2023, 2024 and 2025, and the three months ended March 31, 2026, respectively.

The following table sets forth the movement of the number of our online wholesale customers for the periods indicated below:

	For the Year ended December 31,			For the Three months ended March 31,
	2023	2024	2025	2026
Number of online wholesale customers at the beginning of the year/period	7	14	15	14
Addition of new online wholesale customers	7	1	3	–
Termination of existing online wholesale customers	–	–	4	7
Net increase/(decrease) in online wholesale customers	<u>7</u>	<u>1</u>	<u>(1)</u>	<u>(7)</u>
Number of online wholesale customers at the end of the year/period	<u>14</u>	<u>15</u>	<u>14</u>	<u>7</u>

There were no material disputes or litigations between the terminated online wholesale customers and us during the Track Record Period and up to the Latest Practicable Date.

We enter into wholesale agreements with our online wholesale customers. Key terms of our agreements with online wholesale customers include:

- **Term.** Our agreements generally have a term of one year, renewable upon mutual consent.
- **Payment agreement.** We typically settle with our online wholesale customers via bank transfer.
- **Pricing.** We sell products to online wholesale customers at agreed supply prices.
- **Sales target and minimum purchase requirement.** We do not set sales targets or any minimum annual purchase amount in the agreements with our online wholesale customers.
- **Credit terms.** Payments are settled based on agreed credit terms, often ranging from 30 to 60 days after invoice issuance or product acceptance. In a few cases, products are delivered upon receipt of payment.
- **Inventory level.** We do not require our online wholesale customers to maintain a minimum inventory level.
- **Return of products.** We have established a drug return management system that standardizes the entire process of receiving, evaluating, processing, and recording returns.

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- **Termination.** We may terminate the agreements in the event of, among others, any material breach by our online wholesale customers, such as sales outside of their designated platforms; or any other breach by our online wholesale customers that is not remedied within a prescribed time period.

Online Retail

Under our online retail sales model, we sell our products directly to customers primarily through our self-operated flagship stores on third-party e-commerce and social media platforms, such as Douyin, Kuaishou, and Pinduoduo. As users increasingly regard brand-operated flagship stores as a trusted channel, we have invested in building a dedicated online retail presence across these platforms to capture this growing consumer preference. Under this model, we generally retain the ownership of our products and bear the inventory risk until the products are delivered to and accepted by the end users. We enter into framework agreements with these platforms, pursuant to which the platforms provide us with IT infrastructure, traffic support, and payment processing services in exchange for service fees or commissions. We recognize revenue when the products are sold to the end customers.

Offline Sales

Sales to Distributors

We sell our products to third-party distributors, who are our direct customers. The distributors we engage are offline distributors, which are primarily large-scale pharmaceutical commercial companies. Through the distribution model, we are able to leverage our distributors’ local presence and market knowledge to effectively acquire new customers and penetrate new regional markets. We adopt a buy-out sales model for our distributors, under which control and risks of ownership of our products are transferred to the distributors upon delivery and acceptance. These distributors are responsible for distributing our products to offline terminals, including public hospitals, private clinics, and retail pharmacy chains. This tiered distribution structure allows us to cover a vast network of medical institutions and pharmacies across China in a cost-effective manner. Our distributors are generally responsible for managing their own inventories and sales activities, subject to the terms of our distribution agreements. This model allows us to utilize the extensive networks for broad market coverage. The engagement of distributors is the prevailing industry practice of the topical dermatology drug industry in China, according to Frost & Sullivan.

To the knowledge of our Directors, all of our distributors are independent third parties, and none of our distributors were wholly-owned or majority controlled by our current or ex-employees. In addition, there is no other relationship or arrangement (including family, business, financing, guarantee or otherwise in the past or present) between our distributors and us.

As of March 31, 2026, our distribution network comprised 234 distributors. During the Track Record Period, our revenue from sales of products by 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 following table sets forth the movement of the number of our distributors for the periods indicated below:

	For the Year ended December 31,			For the Three months ended March 31,
	2023	2024	2025	2026
Number of distributors at the beginning of the year/period	357	321	327	340
Addition of new distributors	89	105	118	43
Termination of existing distributors	125	99	105	149
Net increase/(decrease) in distributors	(36)	6	13	(106)
Number of distributors at the end of the year/period	321	327	340	234

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During the Track Record Period, the number of our distributors fluctuated primarily due to our ongoing optimization of the distribution network, which involved both consolidating certain regional channels and proactively recruiting new distributors to reach a broader customer base. The significant decrease in the three months ended March 31, 2026 was mainly attributable to the natural expiry of annual cooperation agreements at the end of 2025 and our proactive adjustments to certain smaller distributors in response to market conditions, which are part of our ordinary course of channel management. Therefore, we do not expect such changes to have a material impact on our overall results of operations. 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.

Key terms of our agreements with distributors include:

- **Term.** Our agreements generally have a term of one year, renewable upon mutual consent.
- **Authorization and Territory.** We grant distributors non-exclusive rights to sell designated products within specified geographic territories and to specific hospital or pharmacy terminals. Distributors are strictly prohibited from selling our products outside their authorized territories or channels.
- **Payment agreement.** We typically settle with our distributors via bank transfer.
- **Pricing.** Purchase prices are specified in the agreements or individual purchase orders.
- **Sales target and minimum purchase requirement.** We generally do not set annual or quarterly sales targets for our distributors. We do not set any minimum annual purchase amount.
- **Credit terms.** Payments are settled based on agreed credit terms, often ranging from 30 to 90 days after invoice issuance or product acceptance. In a few cases, products are delivered upon receipt of payment.
- **Inventory level.** We do not require our distributors to maintain a minimum inventory level.
- **Return of products.** We generally do not accept product returns or exchanges, except in certain special circumstances, such as when quality defects are confirmed upon receipt, incorrect shipment, failed bid, or channel change.
- **Termination.** We may terminate the distribution agreements in the event of, among others, any material breach by our distributors, such as sales outside of their authorized territories or channels; or any other breach by our distributors that is not remedied within a prescribed time period.

Distributor Management

An effective management system has been set up for our distributors. We strictly follow our management system to maintain stable relationships with our distributors. We emphasize long-term relationships with distributors. Our key distributor management strategies include:

- **Selection and Admission.** We select our distributors based on a rigorous assessment of their pharmaceutical distribution qualifications (GSP certification), warehousing and logistics capabilities, financial strength, and reputation. We conduct background checks and annual reviews to ensure their continued compliance.
- **Price Management.** We provide suggested retail prices to guide the market. We actively monitor the market prices of our products across different channels. We have a mature pricing management system to review and approve pricing strategies. If we detect abnormal pricing behaviors that may disrupt the market order, we will take corrective actions.

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- ***Cannibalization Management.*** We strictly enforce a channel management system to prevent cannibalization by imposing territorial restrictions on distributors. Distributors found in violation of our territorial restrictions are subject to penalties, including fines or termination of the distribution agreement.
- ***Channel Stuffing Management.*** We operate on a buy-out model, meaning our distributors purchase products for resale and bear the primary inventory risk. We recommend that their purchase orders be based on firm orders or demand forecasts from end-customers.
- ***Inventory Management.*** Under our buy-out model, distributors are responsible for managing their own inventory. We require major distributors to provide periodic inventory and sales flow data.
- ***Sub-distributors.*** We do not prohibit our distributors from engaging sub-distributors. Some of our distributors may use sub-distributors. We do not enter into agreements or directly establish relationships with the sub-distributors. We do not have contractual relationships with or control over sub-distributors engaged by our distributors, who hold primary supervisory responsibilities over their respective sub-distributors.
- ***Anti-Corruption.*** Our agreements with major distributors contain provisions regarding anti-corruption. Both parties strictly enforce the agreements.

Marketing

We consistently adhere to a user-oriented and science-driven marketing philosophy. Leveraging our deep understanding of the dermatology sector, we implement a tailored brand communication strategy to efficiently deliver scientifically grounded concepts, while emphasizing the efficacy and safety profile of our products. Our marketing efforts are supported by our in-house digital operation capabilities, allowing us to bridge the gap between complex medical knowledge and daily user skincare needs.

We have established a dedicated online marketing team with strong market insights focusing on the development of marketing campaigns on various social media and e-commerce platforms. Instead of relying on external endorsements, we focus on identifying and capturing content-driven product opportunities through data analysis and trend observation. By closely monitoring evolving online trends and user feedback, we identify unmet user needs and respond with targeted product offerings. Our online promotion is built upon scientific guidelines and clinical academic resources. We ensure that our user-facing statements are grounded in authoritative interpretations of our products by academic groups and clinical guidelines. This approach allows us to effectively convert online traffic into sales and foster high customer stickiness by providing reliable, high-quality content. For our therapeutic dermatology products and medical-grade skincare products, we conduct rigorous academic promotion activities to enhance brand recognition among healthcare professionals. These efforts enable us to expand our academic influence and build a professional network that bridges the academic and medical communities, further solidifying our professional brand image characterized by technological leadership and reliable quality.

Pricing

We adopt a market-oriented pricing strategy that takes into account a comprehensive set of factors, including market demand, product positioning, competitive landscape, and production costs. We implement a competitive and effective pricing policy that complies with the relevant laws and regulations. We conduct market research and analysis in relation to the prices of our competitors, analyze and estimate the sales of our products by taking into account various factors such as the costs of our products and feedback from customers to determine the prices of our products. We have differentiated pricing based on the types of end customers as well as the types of our products.

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Product Returns and Recalls

To safeguard patient medication safety and protect public health interests, we have established and continuously improved a systematic, rigorous, and fully traceable management system for product returns and recalls. This system is based on relevant laws, regulations, and industry standards, including the Drug Administration Law of the PRC, the GMP for drugs, and the Administrative Measures for Drug Recalls, ensuring timely, effective, and compliant control and disposal of pharmaceutical products that may pose or have already posed quality risks.

We have formulated a drug return management regime to standardize the entire process of receiving, evaluating, handling, and recording returned products. Returned products are subject to strict evaluation under quarantine status, and a decision is made based on their storage conditions and quality status as to whether they can be released after repackaging or re-testing. All returned products that are substandard, have irreparable packaging, or have unknown origins shall be destroyed and are strictly prohibited from being resold. We maintain complete records of returns to ensure that each batch can be traced back to its original production batch, the returning customer, the reason for return, the evaluation result, and the final disposal method, achieving closed-loop management.

We attach great importance to drug safety early warning and proactive risk management. We have established a tiered, efficient, and rapid-response drug recall procedure. We proactively identify potential risks through various channels, including post-market surveillance, customer complaint analysis, notifications from drug regulatory authorities, and internal quality reviews, and once it is confirmed that a product poses a safety hazard and requires a recall, we immediately initiate the recall procedure and report to the provincial drug administration department. Through our sales network, we rapidly notify all relevant distributors, medical institutions, or drug users to ensure the accuracy and timeliness of recall information communication, and we utilize our product traceability system to precisely lock down the batches, distribution flows, and quantities of the products to be recalled. We also organize mock recall drills regularly (at least once every three years) to test the response speed, traceability capabilities, and coordination effectiveness of our recall system, and continuously optimize our recall contingency plans and processes based on the drill results and regulatory updates.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints relating to product quality that had a material and adverse effect on our business, operations or financial condition, nor had we experienced any material product returns or recalls.

OUR SUPPLY CHAIN

Our Major Suppliers

Our major suppliers primarily consist of suppliers of raw materials, finished products and providers of promotion and construction services. In 2023, 2024, 2025 and the three months ended March 31, 2026, purchases from our five largest suppliers in each year/period amounted to RMB190.8 million, RMB160.4 million, RMB231.5 million and RMB76.1 million, respectively. Purchases from our five largest suppliers in each period of the Track Record Period accounted for 24.6%, 19.7%, 22.7% and 26.5% of our total purchases, respectively. All of our five largest suppliers in each year/period during the Track Record Period were independent third parties.

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The following table sets forth the details of our five largest suppliers in each year/period during the Track Record Period:

Year ended December 31, 2023

No.	Supplier	Products/services provided	Purchase amount (RMB in thousand)	% of total purchase	Credit term	Year of commencement of business relationship with us
1. . . .	Supplier A ⁽¹⁾	Raw materials and excipients	79,306.9	10.2%	Delivered upon receipt of payment	2013
2. . . .	Supplier B ⁽²⁾	Construction services for the production project	35,623.4	4.6%	Payment based on project progress	2022
3. . . .	Supplier C ⁽³⁾	Marketing activity services	32,486.4	4.2%	Payment in advance	2019
4. . . .	Supplier D ⁽⁴⁾	Marketing and promotion services	23,222.6	3.0%	Payment in advance	2021
5. . . .	Supplier E ⁽⁵⁾	Skincare products	20,154.9	2.6%	20th of month after shipment	2020
Total .			190,794.2	24.6%		

Notes:

- (1) A joint stock company incorporated in 1997 in China, dual-listed on the Shanghai Stock Exchange and the Stock Exchange, primarily engaged in pharmaceutical research and development, production, distribution and retail pharmacy operations.
- (2) A limited liability company incorporated in 2009 in China, primarily engaged in construction engineering.
- (3) A company incorporated in 1996 in Hong Kong and a wholly-owned subsidiary of a company listed on the Stock Exchange, which is a leading digital healthcare platform, primarily engaged in pharmaceutical direct sales, pharmaceutical e-commerce platform business, healthcare and digital services.
- (4) A limited liability company incorporated in 2020 in China, primarily engaged in online science promotion operations for dermatologists.
- (5) A joint venture limited liability company incorporated in 1993 in China, primarily engaged in research and development and manufacturing of skin care products.

Year ended December 31, 2024

No.	Supplier	Products/services provided	Purchase amount (RMB in thousand)	% of total purchase	Credit term	Year of commencement of business relationship with us
1. . . .	Supplier C	See above	46,067.5	5.7%	Payment in advance	2019
2. . . .	Supplier A	See above	36,980.8	4.5%	Delivered upon receipt of payment	2013
3. . . .	Supplier F ⁽¹⁾	Online platform services and promotion services	30,417.2	3.7%	15 days after receipt of invoice	2020
4. . . .	Supplier D	See above	23,656.7	2.9%	10 days after receipt of invoice	2021
5. . . .	Supplier G ⁽²⁾	Pharmaceuticals	23,281.1	2.9%	Payment in advance	2024
Total .			160,403.3	19.7%		

Notes:

- (1) A joint stock company incorporated in 2016 in China, primarily engaged in sales and promotion of prescription drugs.
- (2) A limited liability company incorporated in 2005 in China, primarily engaged in wholesale of pharmaceuticals.

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Year ended December 31, 2025

No.	Supplier	Products/services provided	Purchase amount (RMB in thousand)	% of total purchase	Credit term	Year of commencement of business relationship with us
1. . . .	Supplier H ⁽¹⁾	Construction services for production base and R&D center	69,357.6	6.8%	Payment based on project progress	2024
2. . . .	Supplier I ⁽²⁾	Raw materials	42,524.9	4.2%	Delivered upon receipt of payment	2022
3. . . .	Supplier J ⁽³⁾	Raw materials	40,076.2	3.9%	30 days after receipt of invoice	2021
4. . . .	Supplier F	See above	39,922.6	3.9%	15 days after receipt of invoice	2020
5. . . .	Supplier C	See above	39,648.5	3.9%	Payment in advance	2019
Total .			231,529.8	22.7%		

Notes:

- (1) A joint stock company incorporated in 1952 in China, primarily engaged in construction engineering.
- (2) A limited liability company incorporated in 2019 in China, primarily engaged in wholesale of Chinese patent medicines and chemical raw materials.
- (3) A joint stock company incorporated in 2001 in China and listed on the Shanghai Stock Exchange, primarily engaged in research and development and manufacturing of innovative and high-end generic drugs.

Three months ended March 31, 2026

No.	Supplier	Products/services provided	Purchase amount (RMB in thousand)	% of total purchase	Credit term	Year of commencement of business relationship with us
1. . . .	Supplier K ⁽¹⁾	Engineering services for production base and R&D center	16,094.5	5.6%	Payment based on project progress	2025
2. . . .	Supplier A	See above	15,672.7	5.5%	Delivered upon receipt of payment	2013
3. . . .	Supplier L ⁽²⁾	Marketing and promotion services	15,531.2	5.4%	5 days after mutual reconciliation	2022
4. . . .	Supplier H	See above	15,223.3	5.3%	Payment based on project progress	2024
5. . . .	Supplier F	See above	13,549.5	4.7%	15 days after receipt of invoice	2020
Total .			76,071.2	26.5%		

Notes:

- (1) A limited liability company incorporated in 1997 in China, primarily engaged in construction engineering.
- (2) A limited liability company incorporated in 2017 in China, primarily engaged in internet short video content creation and operations, live-streaming e-commerce and brand marketing.

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We generally enter into framework agreements or long-term strategic cooperation agreements with our major suppliers, supplemented by individual purchase orders. Salient terms of our agreements with major suppliers typically include:

- ***Duration.*** The duration of our agreement spans from one to three years, renewable upon mutual consent.
- ***Credit terms.*** Our main raw material and finished drug suppliers deliver goods upon receipt of payment. For other suppliers (such as packaging suppliers), we are granted a credit term of 30 to 90 days by the supplier upon invoice.
- ***Price.*** The price is specified in the purchase order.
- ***Payment agreement.*** We typically settle with our suppliers via bank transfer.
- ***Transfer of risk.*** The risk transfers to us after we complete inspection and confirm receipt of the products.
- ***Product Return or Exchange.*** We have the right to reject, replace or return products for a variety of reasons, including non-conformity with product quality, product specifications or quantity with the order placed.
- ***Termination.*** We may terminate the agreement in the event of a material breach by the supplier, such as persistent quality failures or inability to meet delivery schedules.

During the Track Record Period and up to the Latest Practicable Date, our agreements entered into with our major suppliers are legally binding and have not been subject to any material breaches that may adversely impact our business, financial condition and results of operations.

We have implemented a rigorous and multi-faceted process for the selection and ongoing management of our suppliers to ensure the quality and reliability of our supply chain. See “— Quality Management — Supplier Management and Quality Control” and “— Environmental, Social and Governance — Supply Chain Management” for more details of our supplier management policy.

OUR CUSTOMERS

During the Track Record Period, our major customers primarily consisted of online wholesale customers and distributors. In 2023, 2024, 2025 and the three months ended March 31, 2026, our five largest customers in each year/period during the Track Record Period together generated RMB667.8 million, RMB599.3 million, RMB706.5 million and RMB159.9 million of revenues, respectively, accounting for 64.9%, 53.2%, 53.4% and 47.5% of our total revenue, respectively. All of our five largest customers in each year/period during the Track Record Period were independent third parties.

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The following table sets forth the details of our five largest customers in each year/period during the Track Record Period:

Year ended December 31, 2023

No.	Customer	Products sold	Revenue	% of total revenue	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1 . . .	Customer A ⁽¹⁾	Pharmaceuticals and medical-grade skincare products	236,806.9	23.0%	30/45 days after receipt of invoices	2019
2 . . .	Customer B ⁽²⁾	Pharmaceuticals	170,674.5	16.6%	30 days after receipt of invoices	2012
3 . . .	Customer C ⁽³⁾	Pharmaceuticals	117,614.3	11.4%	30 days after receipt of invoices	2013
4 . . .	Customer D ⁽⁴⁾	Pharmaceuticals and medical-grade skincare products	74,836.7	7.3%	Delivered upon receipt of payment	2021
5 . . .	Customer E ⁽⁵⁾	Pharmaceuticals and medical-grade skincare products	67,835.5	6.6%	Delivered upon receipt of payment	2019
Total .			667,767.9	64.9%		

Notes:

- (1) A company incorporated in 1996 in Hong Kong and a wholly-owned subsidiary of a company listed on the Stock Exchange, which is a leading digital healthcare platform, primarily engaged in pharmaceutical direct sales, pharmaceutical e-commerce platform business, healthcare and digital services. One of our Pre-[REDACTED] Investors is a subsidiary wholly-owned by Customer A.
- (2) A company incorporated in 2007 in China, which is also a wholly-owned subsidiary of a company listed on the Stock Exchange, primarily engaged in pharmaceutical distribution and logistics, retail pharmacy operations, pharmaceutical manufacturing and related supply chain services.
- (3) A company incorporated in 1997 in China, dual-listed on the Shanghai Stock Exchange and the Stock Exchange, primarily engaged in pharmaceutical research and development, production, distribution and retail pharmacy operations.
- (4) A limited liability company incorporated in 2000 in China, primarily engaged in wholesale and retail sales of pharmaceuticals, medical devices and healthcare products, as well as internet information services.
- (5) A joint stock company incorporated in 2016 in China, primarily engaged in sales and promotion of drugs.

Year ended December 31, 2024

No.	Customer	Products sold	Revenue	% of total revenue	Credit term	Year of commencement of business relationship with us
			(RMB in thousand)			
1. . .	Customer A	See above	253,838.2	22.5%	30/45 days after receipt of invoices	2019
2. . .	Customer C	See above	95,246.8	8.5%	30 days after receipt of invoices	2013
3. . .	Customer B	See above	87,826.4	7.8%	30 days after receipt of invoices	2012
4. . .	Customer D	See above	87,799.8	7.8%	Delivered upon receipt of payment	2021
5. . .	Customer E	See above	74,637.2	6.6%	Delivered upon receipt of payment	2019
Total .			599,348.4	53.2%		

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Year ended December 31, 2025

No.	Customer	Products sold	Revenue (RMB in thousand)	% of total revenue	Credit term	Year of commencement of business relationship with us
1. . . .	Customer A	See above	264,195.0	20.0%	30 days after receipt of invoices	2019
2. . . .	Customer C	See above	134,098.1	10.1%	30 days after receipt of invoices	2013
3. . . .	Customer B	See above	105,456.7	8.0%	30 days after receipt of invoices	2012
4. . . .	Customer E	See above	102,300.3	7.7%	Delivered upon receipt of payment	2019
5. . . .	Customer D	See above	100,405.6	7.6%	Delivered upon receipt of payment	2021
Total .			706,455.7	53.4%		

Three months ended March 31, 2026

No.	Customer	Products sold	Revenue (RMB in thousand)	% of total revenue	Credit term	Year of commencement of business relationship with us
1. . . .	Customer A	See above	45,438.8	13.5%	30 days after receipt of invoices	2019
2. . . .	Customer D	See above	35,977.5	10.7%	Delivered upon receipt of payment	2021
3. . . .	Customer E	See above	35,760.0	10.6%	Delivered upon receipt of payment	2019
4. . . .	Customer C	See above	23,692.4	7.0%	30 days after receipt of invoices	2013
5. . . .	Customer B	See above	19,050.7	5.7%	30 days after receipt of invoices	2012
Total .			159,919.4	47.5%		

To the best of our knowledge and as of the Latest Practicable Date, save for Customer A, all of our five largest customers during each year/period of the Track Record Period were independent third parties. We were not aware of any information or arrangement that would lead to the termination of our relationships with any of our major customers. None of our Directors and their respective associates, or Shareholders who own 5% or more of the total issued Shares had any interest in any of our five largest customers in each year during the Track Record Period.

Customer Concentration

During the Track Record Period, our five largest customers in each year together generated revenue accounting for 64.9%, 53.2%, 53.4% and 47.5% of our total revenue in 2023, 2024, 2025 and the three months ended March 31, 2026, respectively. The level of customer concentration during the Track Record Period is primarily attributable to the structural characteristics of the distribution market in China, where a relatively small number of large-scale distributors and online platforms collectively manage a significant share of end-market sales on behalf of manufacturers. As a result, companies that sell products through distributors or online platforms naturally derive a substantial portion of revenue from a limited number of

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leading distribution or digital platform partners. According to Frost & Sullivan, our level of customer concentration is in line with industry norms. See “Risk Factors — Risks Relating to Our Business and Industry — We are exposed to concentration risk of reliance on our major customers” for more details.

Our customer concentration has demonstrated a consistent and meaningful declining trend during the Track Record Period, decreasing from 64.9% in 2023 to 53.2% in 2024 and further to 47.5% in the three months ended March 31, 2026. In addition, the revenue contribution of our largest customer during the Track Record Period, Customer A, decreased from 23.0% in 2023 to 20.0% in 2025, and further to 13.5% in the three months ended March 31, 2026. This reflects our ongoing efforts to broaden our customer base and deepen our market penetration across diverse channels. Furthermore, the identity of our five largest customers has remained broadly stable throughout the Track Record Period, reflecting the long-term, recurring nature of our customer relationships. We have maintained robust business relationships with each of our top five customers for a period of five to 14 years. Based on the foregoing, the Directors believe that our customer concentration is a reflection of the structural features within the market, and is expected to continue to decrease progressively as we expand our sales network and grow our customer base. We believe the risk of material adverse changes in our customer relationships is limited.

OVERLAPPING OF OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, we had the following major overlapping customers and suppliers:

Customer A/Supplier C, one of our five largest customers and suppliers in each year during the Track Record Period. During the Track Record Period, we primarily sold pharmaceuticals and medical-grade skincare products to Customer A/Supplier C, and procured marketing activity services from it. Such relationship arises because as a digital healthcare platform, Customer A/Supplier C both distributes products and provides services in the ordinary course of its operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer A/Supplier C contributed to (i) RMB236.8 million, RMB253.8 million, RMB264.2 million and RMB45.4 million of our revenue, respectively, representing 23.0%, 22.5%, 20.0% and 13.5% of our revenue for the same periods; and (ii) RMB32.5 million, RMB46.1 million, RMB39.6 million and RMB6.2 million of our total purchase amounts, respectively, representing 4.2%, 5.7%, 3.9% and 2.2% of our total purchase amounts for the same periods.

Customer B, one of our five largest customers in each year during the Track Record Period, was also a supplier. During the Track Record Period, we primarily sold pharmaceuticals to Customer B, and procured warehousing services from it. Such relationship arises because as a pharmaceutical commercial company, Customer B has extensive warehousing infrastructure and provides warehousing services to its business partners, including us, as part of its normal operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer B contributed to (i) RMB170.7 million, RMB87.8 million, RMB105.5 million and RMB19.1 million of our revenue, respectively, representing 16.6%, 7.8%, 8.0% and 5.7% of our total revenue for the same periods; and (ii) RMB2.8 million, RMB2.7 million, RMB2.3 million and nil of our total purchase amounts, respectively, representing 0.4%, 0.3%, 0.2% and nil of our total purchase amounts for the same periods.

Customer C/Supplier A, one of our five largest customers during the Track Record Period, is also one of our five largest suppliers in 2023, 2024, 2025 and the three months ended March 31, 2026. During the Track Record Period, we primarily sold pharmaceuticals to Customer C/Supplier A, and procured raw materials and excipients from it. Customer C/Supplier A is a group of entities under the ultimate common control, which has been consolidated and treated as a single customer/supplier group for each period of the Track Record Period. We generated revenue from, and procured products from, different entities within Customer C/Supplier A during the same period. Such relationship arises because different entities under Customer C/Supplier A engage in distributing products and trading raw materials in their ordinary course of operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer C/Supplier A contributed to (i) RMB117.6 million, RMB95.2 million, RMB134.1 million and RMB23.7 million of our revenue, respectively, representing 11.4%, 8.5%, 10.1% and 7.0% of our total revenue for the same periods; and (ii) RMB79.3 million, RMB37.0 million, RMB24.4 million and RMB15.7 million of our total purchase amounts, respectively, representing 10.2%, 4.5%, 2.4% and 5.5% of our total purchase amounts for the same periods.

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Customer D, one of our five largest customers in each year during the Track Record Period, was also a supplier. During the Track Record Period, we primarily sold pharmaceuticals and medical-grade skincare products to Customer D, and procured marketing and promotion services from it. Such relationship arises because Customer D both distributes products and provides services in the ordinary course of its operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer D contributed to (i) RMB74.8 million, RMB87.8 million, RMB100.4 million and RMB36.0 million of our revenue, respectively, representing 7.3%, 7.8%, 7.6% and 10.7% of our total revenue for the same periods; and (ii) RMB2.7 million, RMB0.4 million, RMB0.4 million and RMB0.01 million of our total purchase amounts, respectively, representing 0.3%, 0.05%, 0.04% and 0.01% of our total purchase amounts, respectively.

Customer E/Supplier F, one of our five largest customers during the Track Record Period, was also one of our five largest suppliers in 2024, 2025 and the three months ended March 31, 2026. During the Track Record Period, we primarily sold pharmaceuticals and medical-grade skincare products to Customer E/Supplier F, and procured online platform services and promotion services from it. Customer E/Supplier F is a group of entities under the ultimate common control, which has been consolidated and treated as a single customer group for each period of the Track Record Period. We generated revenue from, and procured services from, different entities within Customer E/Supplier F during the same period. Such relationship arises because different entities under Customer E/Supplier F engage in distributing products and providing services in their ordinary course of its operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Customer E/Supplier F contributed to (i) RMB67.8 million, RMB74.6 million, RMB102.3 million and RMB35.8 million of our revenue, respectively, representing 6.6%, 6.6%, 7.7% and 10.6% of our total revenue for the same periods; and (ii) RMB19.2 million, RMB30.4 million, RMB39.9 million and RMB13.5 million of our total purchase amounts, respectively, representing 2.5%, 3.7%, 3.9% and 4.7% of our total purchase amounts for the same periods.

Supplier I, one of our five largest suppliers in 2025, was also a customer. During the Track Record Period, we primarily procured raw materials from Supplier I, and sold pharmaceuticals to it. Such relationship arises because Supplier I engages in both distributing products and trading raw materials in the ordinary course of its operations. In 2023, 2024, 2025 and the three months ended March 31, 2026, Supplier I contributed to (i) RMB1.9 million, RMB4.6 million, RMB7.1 million and RMB2.0 million of our revenue, respectively, representing 0.2%, 0.4%, 0.5% and 0.6% of our total revenue for the same periods; and (ii) RMB0.5 million, RMB1.8 million, RMB42.5 million and RMB9.0 million of our total purchase amounts, respectively, representing 0.1%, 0.2%, 4.2% and 3.2% of our total purchase amounts for the same periods.

Supplier J, one of our five largest suppliers in 2025, was also our customer. During the Track Record Period, we primarily procured raw materials from Supplier J, and sold technical testing services to it. The revenue generated from Supplier J was limited in scale, arising from an isolated technical testing services arrangement that has since been concluded. In 2023, 2024, 2025 and the three months ended March 31, 2026, Supplier J contributed to (i) RMB0.04 million, nil, nil and nil of our revenue, respectively, representing 0.003%, nil, nil and nil of our total revenue for the same periods; and (ii) RMB6.4 million, RMB22.9 million, RMB40.1 million and RMB9.9 million of our total purchase amounts, respectively, representing 0.8%, 2.8%, 3.9% and 3.4% of our total purchase amounts for the same periods.

During the Track Record Period, our negotiations of the terms in the sales and purchase agreements in connection with the overlapping customers and suppliers were conducted in the ordinary course of business and on a case-by-case basis, and were not inter-conditional with each other. During the Track Record Period, there were no bundled or back-to-back trading arrangements and the key terms among overlapping customers and suppliers are generally not deviated from those of our other customers and suppliers. All of our sales to and purchases from these overlapping customers and suppliers were subject to the same internal control requirements and approval procedures as the other customers and suppliers. According to Frost & Sullivan, this overlapping relationship is in line with industry practice. Our Directors are of the view that these arrangements are within our ordinary course of business and under normal commercial terms.

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LOGISTICS AND INVENTORY MANAGEMENT

Logistics

We engage qualified third-party logistics service providers to deliver our products to customers. We select logistics partners based on their geographic coverage, transportation capabilities (especially for cold chain requirements), and service quality. Under the distributorship model, we typically deliver our products to distributors at their designated place of delivery, who subsequently deliver the products to their respective customers. We require our logistics providers to adhere to GMP and GSP standards during transportation. For temperature-sensitive products, we mandate the use of temperature-monitoring devices to ensure product quality is maintained throughout the transit process. During the Track Record Period, we did not experience any material logistics disruptions.

Inventory Management

Our inventory primarily consists of raw materials, work-in-progress, and finished goods. We utilize an enterprise resource planning (“ERP”) system, SCM system and WMS system to track inventory levels in real-time and have implemented a “first-in, first-out” policy. Our production plan is devised based on rolling annual, quarterly, and monthly forecasts of market demand provided by our sales department, taking into account historical sales records, anticipated sales orders, and the seasonal nature of certain dermatology products.

We maintain dynamic safety stock levels for key raw materials and finished products based on market demand volatility and lead times. We implement a classified safety stock management system for raw materials and finished products, establishing differentiated safety stock management strategies for different categories of raw materials and finished products to safeguard supply chain security and resilience. We have designated warehouses with controlled temperature and humidity to ensure the stability of our materials and products. Specialized storage facilities are used for hazardous chemicals. We conduct regular physical stocktakes to ensure the accuracy of our inventory records and promptly identify any slow-moving or obsolete items for impairment assessment.

DATA SECURITY

We attach great importance to data security and the protection of personal information. We have established a comprehensive information security management system that covers the entire life cycle of data processing, including collection, storage, use, processing, transmission, provision, and deletion. Our IT department is responsible for overseeing our digital development and maintaining data security. We have formulated and implemented a series of internal policies, such as the Information System Security Emergency Plan, Network Security Management Regulations, and Data Backup and Recovery Management Regulations, to guide our daily operations.

Our information architecture is supported by robust IT systems, including our ERP system as the core operational hub, OA system for internal collaboration, and business intelligence system for data analysis. We have adopted standard protective measures, including strict access control, data encryption, and regular data backup, to prevent unauthorized access, leakage, improper use, or loss of data.

Data Collection and Processing

For our online sales, we primarily operate through third-party e-commerce platforms. We generally do not directly collect or store sensitive personal information of users from these platforms. Instead, we rely on the data processing and desensitization mechanisms provided by the platforms. When order information is transmitted to our internal systems for fulfillment, sensitive fields such as phone numbers are encrypted or masked. We have implemented strict authority controls to limit access to such data to authorized personnel only.

BUSINESS

In our R&D activities, particularly clinical trials, we strictly comply with the applicable data protection laws. We collect necessary data from subjects only with their informed consent. To protect patient privacy, we utilize anonymized codes for data identification during the research process. Physical records are stored securely at clinical sites, and electronic data is transmitted via secure channels without including directly identifiable personal information.

Data Storage and Cross-border Transfer

All our critical business data and personal information collected within the PRC are stored on servers located in Chinese Mainland. We utilize a combination of local servers and secure cloud services to ensure data availability and security. We perform regular full and incremental backups to ensure business continuity in the event of system failures. We do not have any servers deployed outside of China, nor did we engage in any cross-border transfer of sensitive personal information that would require a security assessment by regulatory authorities.

COMPETITION

The topical dermatology drug market in China features a mix of established multinational corporations and leading domestic pharmaceutical companies. According to Frost & Sullivan, within China’s topical dermatology drug segment, the total market is projected to grow from approximately RMB27.8 billion in 2025 to approximately RMB45.1 billion in 2030, at a CAGR of approximately 10.2%. Growth is structurally underpinned by rising disease prevalence, increasing patient awareness and the convenience of self-medication, with online channels projected to grow at a CAGR of approximately 13.4% from 2025 to 2030, driven by the continued migration of dermatology users to digital purchasing and consultation.

China’s topical dermatology drug market is in a stage of rapid development, characterized by diverse participants and a dynamic competitive landscape. According to Frost & Sullivan, our Company ranked sixth among all manufacturers of topical dermatology drugs in China based on ex-factory prices in 2025, with a revenue of approximately RMB0.96 billion. According to Frost & Sullivan, we ranked first in China by both the total number of topical dermatology drugs submitted and approved for marketing authorization over the three years preceding the Latest Practicable Date. See “Industry Overview — Competitive Landscape of China’s Topical Dermatology Drug Market” for more details.

EMPLOYEES

As of March 31, 2026, we had 750 full-time employees. The following table sets forth the number of our employees by function:

Employee Function	Number of Employees	% of Total
Research and Development	102	13.6
Production and Quality	275	36.7
Sales and Marketing	270	36.0
Administration	103	13.7
Total	750	100.0

To streamline human resource management, we established a comprehensive set of internal management measures, outlining the procedures and criteria for development and training, compensation and benefits, among others. See “— Environmental, Social and Governance — Employee Rights and Interests” for more details.

BUSINESS

As required under PRC laws and regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans, under which we make contributions at specific percentages of the salaries of our 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. See “Risk Factors — Risks Relating to Our Business and Industry — 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” for more details.

We believe we maintain a good working relationship with our employees, and we have not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We profoundly recognize that sustainable development is not merely a corporate environmental and social responsibility, but also a core element driving long-term business growth. Accordingly, we are progressively integrating ESG factors into our governance and daily operations, and are committed to the steady advancement of our sustainability initiatives. After the [REDACTED], we will regularly publish ESG reports according to the requirements of the Environmental, Social and Governance Reporting Code (Appendix C2) and proactively identify and assess actual and potential ESG risks that may impact our business operations and financial performance. Concurrently, we will incorporate ESG considerations into our business, strategic planning, and financial planning.

Governance of ESG Matters

The Board places paramount importance on ESG management, viewing it as a strategic cornerstone for promoting sustainable development. The Board serves as the highest decision-making and risk oversight body for ESG matters, ensuring that ESG efforts are aligned with our long-term development strategy.

The Board has adopted the Terms of Reference for the Strategy and ESG Committee of the Board (《董事會戰略及ESG委員會工作細則》), under which a Strategy and ESG Committee is set up as a dedicated working body of the Board responsible for guiding the formulation of ESG strategy and overseeing ESG matters. Its primary responsibilities include (i) researching and proposing recommendations on our long-term development strategic planning, major investment and financing proposals, and significant capital operation and asset management projects; (ii) researching, analyzing, and evaluating ESG-related matters, and proposing recommendations on ESG strategy, goals, governance structure, and significant policies; (iii) assisting the Board in identifying and assessing ESG-related impacts, risks and opportunities, and guiding the relevant functional departments in taking appropriate response measures; (iv) reviewing and submitting ESG-related reports to the Board; and (v) supervising the implementation of the ESG strategy and goals, and providing feedback.

The Board earnestly fulfills its environmental protection responsibilities, continuously monitors performance in areas such as pollutant emissions and resource consumption, and urges management to integrate environmental considerations into the entire production and operational process. The Board actively fulfills its social responsibilities, pays attention to issues such as employee rights protection and product quality and safety, and ensures that, while pursuing economic benefits, the legitimate rights and interests of employees, partners and other stakeholders are effectively safeguarded. The Board will focus on ESG issues of double materiality and will progressively integrate ESG factors into decision-making considerations to promote sustainable development.

BUSINESS

We are also committed to promoting diversity in the composition of the Board. In the Board nomination and succession planning, we will comprehensively consider various factors such as gender, age, cultural background, educational background, professional experience, skills, and regional and industry experience, to build a balanced and inclusive Board. This will help ensure that the Board effectively addresses ESG-related matters from diverse perspectives, thereby enhancing the quality of decision-making and governance.

Identification and Assessment of Material ESG Issues, Risks and Opportunities

Material ESG issues are our key focus areas for sustainable development management. Based on our operational activities, business relationships, business model, industry characteristics, and value chain positioning, and referencing regulatory requirements and the key concerns of major ESG rating agencies, we identify and assess ESG issues relevant to us through surveys with stakeholders including employees, investors and Shareholders, customers, consumers and patients, suppliers and partners, government and regulatory agencies, as well as communities and the public, using the dual dimensions of Financial Materiality and Impact Materiality. These include, but are not limited to, environmental compliance management, addressing climate change, pollutant emission management, employee rights protection, occupational health and safety, employee training and development, product and service quality and safety, research and development innovation, supply chain management, business ethics and anti-corruption.

We deeply recognize that ESG-related risks and opportunities have a significant impact on our business operations, financial performance and long-term sustainable development. To continuously enhance our risk management and identification mechanisms, we regularly implement a series of internal and external monitoring and control measures, primarily as follows: regular environmental monitoring of pollutant emissions and energy consumption, safety hazard investigations, occupational health risk identification, employee reporting and hazard notifications, and emergency plan formulation and drills. Furthermore, we are dedicated to fostering a culture of compliance, aiming to ensure that all employees fully understand and adhere to ESG-related regulations and requirements.

During the Track Record Period and up to the Latest Practicable Date, we have complied in all material respects with the health, safety and environmental laws and regulations applicable to our business operations, have not been subject to any fines or other administrative penalties for violations of health, safety or environmental laws and regulations, and have not encountered any events that have had a material adverse effect on our business, financial condition or results of operations.

Environmental Compliance Management

We place high importance on environmental management and strictly adhere to environmental laws and regulations applicable to our business operations. To systematically identify and manage potential environmental risks, we have established and implemented a standardized environmental management system, which is certified to ISO 14001.

To ensure the systematic, operable and standardized functioning of environmental management, we have developed a series of internal management policies, including the Environmental and Occupational Health and Safety Management Manual (《環境及職業健康安全管理制度》), Procedures for Identification of Environmental Factors, Hazard Identification and Risk Assessment and Control (《環境因素識別、危險源識別和風險評價控制程序》), Risk and Opportunity Management Procedures (《風險和機遇管理程序》), and Environmental Safety Performance Appraisal Management Procedures (《環境安全績效考核管理程序》).

We conduct regular environmental protection training, with topics including, but not limited to, environmental laws and regulations, hazardous waste management, and environmental emergency response plans, to enhance the environmental compliance awareness of all employees and promote the effective implementation of our environmental compliance management initiatives.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we have complied in all material respects with all applicable laws and regulations pertaining to environmental issues and have not incurred any fines or other penalties for violations of environmental laws and regulations.

Environmental Metrics and Targets

To better assess and manage the environmental and climate-related risks arising from our business operations, we conduct continuous monitoring of key environmental metrics.

The following table sets out our quantitative environmental metrics for the years indicated:

Environmental Metrics	Unit	For the year ended December 31,			For the three months ended March 31,
		2023	2024	2025	2026
Greenhouse gas emissions (Scope 1)	tCO ₂ e	617.34	1,049.89	1,455.03	488.08
Greenhouse gas emissions (Scope 2)	tCO ₂ e	2,812.24	3,871.22	3,953.56	712.74
Total greenhouse gas emissions (Scopes 1 & 2)	tCO ₂ e	3,429.58	4,921.10	5,408.59	1,200.83
Natural gas consumption	MWh	3,086.72	5,249.43	7,275.15	2,440.42
Purchased electricity consumption	MWh	5,300.12	7,865.21	8,270.02	1,452.84
Total water consumption	Tonnes	66,570.00	96,650.00	80,557.00	17,730.00
Hazardous waste	Tonnes	70.60	90.11	107.38	29.74
Non-hazardous waste	Tonnes	48.97	115.68	145.01	87.48

Notes:

- (1) Scope 1 emissions refer to direct greenhouse gas emissions, primarily from the direct combustion of natural gas during production and operations.
- (2) Scope 2 emissions refer to indirect greenhouse gas emissions, mainly from the consumption of purchased electricity.
- (3) The emission factor for natural gas is calculated with reference to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises of Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the General Office of the National Development and Reform Commission of China.
- (4) The greenhouse gas emission factor for electricity in Chinese Mainland is calculated using the national average electricity emission factor listed in the Announcement on the Release of the 2023 Electricity Carbon Dioxide Emission Factor (《關於發佈2023年電力二氧化碳排放因子的公告》) by the Ministry of Ecology and Environment and the National Bureau of Statistics.
- (5) Hazardous waste primarily includes expired pharmaceuticals, chemical waste packaging, sludge, activated carbon, and laboratory liquid waste.
- (6) Non-hazardous waste primarily includes recyclable refuse, spent filter cotton, and pharmaceutical dregs.
- (7) The consumption of energy of various types is calculated by converting energy of relevant types into standard coal equivalent using the conversion factors stipulated in General Principles for Calculation of the Comprehensive Energy Consumption (《綜合能耗計算通則》) (GB/T 2589-2020).

During the Track Record Period, the primary resources we consumed were natural gas, electricity and water. Greenhouse gas emissions generated from our production and operations primarily stemmed from the consumption of natural gas and purchased electricity. The increase in quantitative environmental metrics was mainly attributable to our business growth, adjustments in our production structure, and the year-on-year increase in our production volume.

BUSINESS

We are committed to sustainable development. The Strategy and ESG Committee and relevant departments will regularly assess the targets related to key performance metrics in accordance with the Environmental, Social and Governance Reporting Code and other relevant post-[REDACTED] rules, ensuring the targets remain aligned with our development needs. When setting targets for environmental key performance metrics, we will comprehensively consider the environmental metrics for the Track Record Period and carefully evaluate our future business expansion plans, striving to balance business growth with environmental protection and drive sustainable development.

Energy Consumption and Greenhouse Gas Emission Management

We attach great importance to resource management and energy efficiency. We strictly abide by environmental laws and regulations applicable to our business operations, such as the Energy Law of the People’s Republic of China (《中華人民共和國能源法》), and have established a systematic energy management system certified to ISO 50001. We have developed internal management policies, including the Procedures Manual for the Energy Management System (《能源管理體系程序文件》) and the Resource and Energy Control Procedure (《資源能源控制程序》), to continuously promote the standardization of resource and energy management. We have established an energy management organizational system featuring well-defined powers and responsibilities, with the Plant Affairs Management Department serving as the unified management body, leading the monitoring and management of energy consumption.

In response to the national carbon neutrality goals, we are dedicated to energy conservation and greenhouse gas emission reduction. To build a clean, low-carbon, and efficient energy utilization system, we have implemented a series of measures, including but not limited to the following measures: we implement temperature control and electricity-saving management and promote the use of variable frequency air conditioners; we deploy solar streetlights within our plant premises and procured photovoltaic electricity, gradually increasing the proportion of renewable energy usage; we adopt paperless online office workflows; and through measures such as reclaimed water reuse, water-saving equipment, and packaging reduction, we achieve resource conservation and circularity.

We will continue to optimize our green production and operational processes, actively explore more renewable energy alternatives and technological emission reduction pathways, improve our energy structure and efficiency, and consistently enhance our green and low-carbon operations.

Pollutant Emission Management

We place paramount importance on pollutant emission management and strictly adhere to environmental laws and regulations applicable to our business operations. In accordance with the requirements of the ISO 14001 Environmental Management System, we have established internal management policies, such as the Environmental and Facility Control Procedures (《環境與設施控制程序》), to comprehensively regulate pollutant emissions management.

We have established an organizational system for pollutant emission management with clear responsibilities and well-defined hierarchies. The Plant Affairs Management Department serves as the designated oversight department, responsible for the monitoring and management of pollutant emissions. The primary pollutants generated during our production processes include wastewater, waste gas, solid waste and noise. To reduce pollutant emissions, our primary measures include:

Exhaust Gas Management: Organic exhaust gases are treated through two-stage activated carbon adsorption to meet discharge standards. Dust-laden exhaust gases are treated using a baghouse filtration system; for certain processes, medium-efficiency filters are also employed prior to discharge.

BUSINESS

Wastewater Management: Industrial wastewater is treated at the wastewater treatment station to meet discharge standards. Industrial wastewater from the formulation plant is treated at the station and then reused in cooling towers, achieving reclaimed water reuse. Domestic sewage is pre-treated in on-site septic tanks to meet discharge standards.

Solid Waste Management: Solid waste generated from our production and operations is managed by categorizing it into hazardous waste and non-hazardous waste based on its properties. For hazardous waste, we strictly formulate and implement comprehensive management procedures. Dedicated temporary storage areas are designated, and each type of hazardous waste is clearly categorized, appropriately labeled, and stored in segregated areas. Designated personnel are responsible for the full-process management of hazardous waste, and entrust qualified third-party institutions for disposal. Non-hazardous waste is managed by category and entrusted to third-party institutions for collection and disposal.

For the treatment of solid waste, we have established the principles of “Reduce, Reuse and Recycle,” and implemented a series of systematic solid waste reduction measures, including but not limited to the following measures: we promote green design standards and cleaner production; through a digital environmental management platform, we perform end-to-end tracking of waste, covering generation, classification, storage and transfer; and through specific process improvements, such as using pharmaceutical dewatering equipment to reduce its moisture content and utilizing double-effect concentrators to minimize extract concentrate, we further reduce solid waste generation and emissions during production.

In recognition of our continuous investment and practice in environmental protection, we have been recognized as “2023 Wuxi Green Factory” by the Wuxi Municipal Bureau of Industry and Information Technology.

Climate Change

Climate Risks

To identify and assess material climate change-related risks that may affect us, we take into account internal and external factors, including the nature of our business, and employ methods such as macro-policy research and peer benchmarking to assess the potential impact on our operations and financial performance. The climate-related risks relevant to us fall into two main types: physical risks and transition risks.

Physical Risks: These primarily include (i) acute physical risks, such as the increasing frequency and severity of extreme weather events, including typhoons and floods; and (ii) chronic physical risks arising from long-term changes in climate patterns, such as rising average temperatures. Climate change may pose challenges to the storage and transportation of raw materials and finished products, resulting in additional maintenance and replacement costs.

To address the above physical risks, we continuously develop and refine emergency response plans and strengthen emergency dispatch capabilities in warehousing and logistics to minimize the risk of operational disruptions. Meanwhile, by strictly implementing temperature control in office and production premises, promoting the use of variable-frequency air conditioners and energy-saving equipment, and adopting environmentally friendly thermal insulation materials in warehouse facilities, we enhance energy efficiency and facility adaptability to improve operational resilience.

Transition Risks: These stem primarily from changes in policies, laws, regulations, and markets associated with the transition to a low-carbon economy. For example, increasingly stringent global carbon emission regulations and reduction standards, coupled with heightened environmental awareness and shifting user preferences, may increase our compliance costs and capital expenditures related to energy-saving and emission reduction technologies.

BUSINESS

To address the above transition risks, we continue to promote the application of renewable energy. We have installed solar streetlights within our plant premises, and we procure photovoltaic electricity. We have also introduced new energy-efficient building materials and thermal insulation technologies to improve energy utilization efficiency. In addition, we closely monitor developments in carbon emission-related policies and market preference trends and continuously optimize our response strategies accordingly, thereby enhancing our adaptability to climate-related transition risks and maintaining forward-looking and resilient operations.

Given the nature of our business, our exposure to the above climate risks is limited. During the Track Record Period and up to the Latest Practicable Date, our business, operations and financial condition have not been materially affected by any climate-related events.

Climate Opportunities

While addressing the challenges posed by climate change, we also actively explore climate-related opportunities embedded therein to promote our long-term sustainable development. The climate-related opportunities we have identified mainly include:

Resource Efficiency Opportunities: By implementing energy management in production and operations, promoting the circular use of water and materials, and promoting green production and logistics initiatives, we can improve resource utilization efficiency and reduce operating costs.

Product Development and Market Opportunities: Climate change may lead to the emergence of certain new diseases or market demands. If we conduct targeted research and development for such diseases, we can effectively enhance our market competitiveness and increase operating revenue. Meanwhile, by proactively responding to climate change-related incentive policies, we may be eligible to obtain policy benefits or targeted economic support.

Responsibility and Brand Enhancement Opportunities: Active participation in climate action and sustainable development initiatives helps further enhance our corporate social responsibility image and brand value.

To capture climate-related opportunities, we have implemented various measures, such as reusing treated industrial wastewater in cooling towers to achieve reclaimed water recycling and conserve water resources; upgrading and retrofitting production equipment and gradually replacing high-energy-consuming models; and continuously monitoring changes in disease patterns and adjusting our product strategies in a timely manner. Looking ahead, we will continue to monitor developments in climate change and related policies, regularly publish ESG reports in accordance with the Environmental, Social and Governance Reporting Code, disclose the outcomes of our climate action practices, and strengthen close cooperation with environmental organizations and local communities.

Employee Rights and Interests

We attach great importance to the protection of employee rights and interests and are committed to fostering a harmonious, healthy and equitable working environment that provides equal opportunities for all employees. We strictly comply with relevant laws and regulations, including the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). We have entered into individual labor contracts with all employees and have signed collective agreements with the labor union, including the Agreement on Wage Collective Consultation, Labor Safety and Health, Occupational Disease Prevention, and Special Protection for Female Employees (《工資集體協商、勞動安全衛生、職業病保護、女職工特殊保護協議》). In terms of internal management policies, we have formulated the Remuneration Management Policy (《薪酬管理制度》), the Performance Management Policy (《績效管理制度》) and the Employee Handbook (《員工手冊》), establishing a clear and fair institutional framework for recruitment and hiring, compensation and benefits, performance appraisal, development and training, and other labor management matters.

BUSINESS

In terms of remuneration, we have established a diversified compensation structure comprising “fixed pay + variable pay + allowances and benefits,” closely linking employee remuneration to individual contributions and the Company’s overall performance, to effectively attract, motivate and retain talent. In terms of employee benefits, in addition to making social insurance and housing provident fund contributions, we provide commercial insurance. We strictly implement regulations on maternity and nursing leave for female employees and protect married male employees’ statutory rights to paternity leave and parental leave. Furthermore, we have established facilities including a reading corner, a baby care room, an employee gym and a psychological counseling room to care for employees’ physical and mental well-being and enhance their sense of belonging and overall happiness.

As of March 31, 2026, female employees accounted for 58.93% of our total workforce. We adhere to fair and transparent employee management policies, strive to enhance workforce diversity in gender and age structure, and foster an inclusive and equitable working environment.

Occupational Health and Safety

We place a high priority on occupational health and production safety and strictly comply with relevant laws and regulations, including the Work Safety Law of the People’s Republic of China (《中華人民共和國安全生產法》) and the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). We have formulated the Environmental and Occupational Health and Safety Management Manual (《環境及職業健康安全手冊》) and implemented a standardized occupational health and safety management system. We are certified to ISO 45001.

In terms of occupational health, we have established a systematic and dynamic occupational health risk control mechanism. Through professional methods such as Job Hazard Analysis and safety checklists, we comprehensively identify occupational health risks in our operations and implement a hierarchy of controls, including engineering controls, administrative measures and personal protective measures. Meanwhile, we provide employees with standard-compliant protective equipment and ensure its proper use through standardized supervision. We also conduct regular occupational health training and awareness programs to continuously enhance their awareness and capability in occupational health protection.

In terms of production safety, we have established a dual prevention mechanism comprising both the hierarchical control of safety risks and the identification and rectification of hazards. Through safety-related technical upgrades of equipment, including the installation of safety interlocks and emergency shutdown systems, we enhance equipment and facilities safety. In addition, we have established an employee hazard reporting mechanism to encourage full participation in safety management, conduct safety training and culture cultivation activities, and organize full-time and part-time emergency response teams with regular drills to enhance employees’ safety awareness and emergency response capabilities.

During the Track Record Period and up to the Latest Practicable Date, there were no material accidents in our operations, and we were not subject to any fines or other penalties for violations of occupational health or work safety laws and regulations.

Supply Chain Management

We continuously strengthen our supply chain management. We have formulated the Procurement Management Policy (《採購管理制度》) and the Supplier Management Procedures (《供應商管理規程》), covering the entire process of supplier admission, evaluation and daily management, to ensure that supply chain activities are standardized, transparent and risk-controllable.

BUSINESS

We implement a stringent supplier admission mechanism, requiring critical material suppliers to comply with GMP standards. Through questionnaires, we require suppliers to provide information on production water, environmental control of facilities, regular employee training, GMP training plans and records, and quality inspection, which serve as prerequisites for supplier admission. We enter into formal agreements with suppliers clearly stipulating compliance requirements, including anti-commercial bribery provisions and other compliance provisions. We regularly conduct multi-dimensional performance evaluations of suppliers based on quality, on-time delivery, service responsiveness and compliance, and implement graded management according to the evaluation results, thereby ensuring stable supply chain operations and effective quality control.

We have established a supply chain risk management mechanism focusing on key risk areas such as compliance, quality, supply disruption and external environmental factors, and have formulated dedicated response plans accordingly. In addition, through the development of our supply chain information platform, we have digitalized the full process of supplier file management, admission review and performance evaluation, continuously enhancing supply chain coordination efficiency and control capabilities.

Business Ethics and Anti-Corruption

We firmly oppose commercial bribery and corruption and strictly comply with relevant laws and regulations, including the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》). We have formulated and continuously improved internal management policies such as the Management Policy on Employees’ Conduct in Office (《員工職務行為管理》) and the Accountability Measures for Employee Violations of Rules and Discipline (《員工違規違紀責任追究辦法》), explicitly prohibiting any form of corruption, bribery or other improper exchange of benefits. We are committed to cultivating a culture of integrity and transparency.

Led by our internal audit department, we have established anti-commercial bribery and anti-corruption supervision mechanisms, conducting routine compliance risk screening and audit oversight over key business processes. We also require our business partners to adhere to business ethics and strictly prohibit the use of any improper means to obtain business opportunities. Meanwhile, we have established reporting channels combining “online and offline” and “internal and external” mechanisms, and have publicly disclosed complaint hotlines, email addresses and mailing addresses, thereby promoting an effective supervision system.

Social Initiatives

We actively fulfill our corporate social responsibility by engaging deeply in charitable and volunteer services, covering multiple dimensions including industry development, cultural and educational initiatives, healthcare, charitable assistance and community services. At the same time, we actively advocate and organize all employees to participate in various public welfare activities, demonstrating our care, compassion, and sense of social responsibility through concrete actions.

Education Support and Rural Revitalization: In August 2021, we launched the “Siyuan Lingyunmu Program” Autumn Education Assistance Project, which was carried out for three consecutive years. In January 2025, we initiated the second round of assistance, providing financial support to students from economically disadvantaged families within the village to alleviate their educational burdens, while also offering internship and employment opportunities to outstanding graduates to support rural talent revitalization.

Research Fund Support: In 2020, we jointly initiated and established the public welfare “Jin Peiying” Research Fund with the Jiangsu Pharmaceutical Association. Since 2021, we have invested no less than RMB300,000 annually to support universities, research institutes and medical institutions within Jiangsu Province in conducting basic research, clinical application research and the translation of research findings in dermatology-related fields, thereby promoting technological innovation and development in the industry.

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Social Care and Material Donations: We regularly donate protective supplies and other materials to frontline workers, including police officers, sanitation workers and educators, delivering our social care and compassion through tangible actions.

In recognition of our continuous investment and contributions through our social initiatives, we have received a number of honors, including the “Outstanding Donor of 2024” awarded by the Jiangsu Red Cross Society; the “Red Cross Meritorious Award,” the “Outstanding Contribution Award for Red Cross Donation Work (2019-2023),” the “Red Cross Humanitarian Award for 2023 Fundraising Work,” and the “Wuxi Red Cross Public Welfare Alliance Unit” awarded by the Wuxi Red Cross Society; and the “Red Cross Meritorious Award for Caring Donations of 2022” and the “Red Cross Humanitarian Award for Caring Donations of 2023” awarded by the Xishan District Red Cross Society.

PROPERTIES

Our principal executive offices are located in Jiangsu Province, China. The Property Valuation Report from AVISTA, an independent property valuer, set out in Appendix III of this document, sets out details of our selective property interests as of April 30, 2026. AVISTA valued these property interests at an amount of RMB492.9 million as of April 30, 2026. Except for the property interests set forth in the Property Valuation Report from AVISTA, pursuant to Rule 5.01A of the Listing Rules, as of March 31, 2026, no single property interest (i) that formed part of our property activities had a carrying amount representing 1% or more of our total assets; or (ii) that formed part of our non-property activities had a carrying amount representing 15% or more of our total assets.

Owned Property

As of the Latest Practicable Date, we owned nine properties in China, with an aggregate gross floor area of approximately 48,918.9 sq.m., which was mainly used in our business operations.

Leased Property

As of the Latest Practicable Date, we primarily leased 45 properties in China with an aggregate gross floor area over 17,623 sq.m., mainly used for warehousing, corporate management, and residential purposes. We believe that there is sufficient supply of properties in Chinese Mainland, and we do not rely on the existing leases for our business operations. We believe that our current facilities are adequate to meet our current needs.

As of the Latest Practicable Date, one property leased 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. In accordance with the relevant PRC laws and regulations, a failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements, but we may be subject to a penalty ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant competent authorities. See “Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business and financial performance” for more details.

INSURANCE

We maintain insurance policies to cover various aspects of our business operations and manage our operational risks. Specifically, we have purchased clinical trial liability insurance to cover potential risks associated with our R&D activities, safety production liability insurance to safeguard our manufacturing operations, and environmental pollution liability insurance to mitigate environmental risks. We also maintain property all risks insurance to cover our fixed assets and supplementary commercial insurance for our employees. According to Frost & Sullivan, the coverage of our product liability insurance is in line

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with the market practice. We review our insurance policies timely to ensure its compliances with the statutory PRC laws and regulations. We believe that our existing insurance coverage is adequate for our business operation and is in line with the general market practice.

During the Track Record Period, we were not subject to any material claim of insurance. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. Please see “Risk Factors — Risks Relating to Our Business and Industry — 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” for more details.

LICENSES, APPROVALS AND PERMITS

The following table sets forth the details of the material licenses and permits necessary for our business operations:

License/Permit	Holder	Date of Grant	Expiry Date
Drug Manufacturing Certificate . . .	The Company	May 20, 2026	November 14, 2030
Drug Manufacturing Certificate . . .	Wuxi Langrun Pharmaceutical Co., Ltd. (無錫朗潤醫藥有限公司) (“Wuxi Langrun”)	January 15, 2026	February 25, 2027
Drug Manufacturing Certificate . . .	Chongqing Yaoyanyuan Pharmaceutical Co., Ltd. (重慶市 藥研院製藥有限公司)	May 22, 2026	March 9, 2031
Drug Trading Certificate	Wuxi Langrun	November 25, 2025	July 14, 2029
Drug Trading Certificate	Chongqing Zhiyuan Pharmacy Co., Ltd. (重慶知原大藥房有限公司)	April 2, 2025	February 5, 2028
Medical Device Manufacturing Certificate	The Company	March 17, 2026	May 19, 2031
Class I Medical Device Manufacturing Filing Certificate .	The Company	July 5, 2024	N/A
Class II Medical Device Business Filing Certificate	Wuxi Langrun	April 9, 2021	N/A

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any non-compliance matters that have led to significant administrative penalties that we believe would have a material adverse effect on our business, results of operations and financial condition.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems. We have adopted and implemented risk management policies in various aspects of our business operations. Our Board of Directors is responsible for the overall establishment, oversight, and updating of our internal control systems. It reviews the effectiveness of our risk management policies annually. The Audit Committee supports the Board by monitoring the daily implementation of internal control procedures, reviewing internal audit reports, and assessing significant risk exposures. We have an internal audit department responsible for conducting independent evaluations of our internal controls, identifying deficiencies, and recommending corrective actions.

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Operational Risk Management

We are exposed to various operational risks arising from our daily activities, including production safety, quality control, and supply chain stability. To manage these risks, we have established standardized operating procedures across all key business functions. We strictly adhere to national safety standards and have implemented a safety production responsibility system, under which we conduct regular safety inspections, hazard identification and rectification and emergency drills to minimize the risk of accidents. In terms of quality control, we maintain a rigorous quality management system covering the entire product lifecycle to mitigate quality-related risks. Furthermore, to manage supply chain risks, we have implemented a multi-source procurement strategy for key raw materials and maintain safety stocks to buffer against market fluctuations. Our policies delineate the main operational risks and corresponding control measures for each department.

Financial Reporting Risk Management

To manage risks associated with financial reporting and ensure the accuracy and reliability of our financial statements, we have implemented a robust framework of accounting policies and internal controls. This framework includes our financial management manual, budget management policies, and treasury management protocols. We utilize advanced IT systems, such as our ERP system, to integrate financial data with business operations, enabling real-time monitoring of financial performance and budget execution. Our finance department reviews management accounts on a monthly basis to identify and investigate any significant variances. Furthermore, we provide regular training to our financial personnel to ensure they are up to date with the latest accounting standards and tax regulations.

Compliance Risk Management

We operate in a highly regulated industry and are subject to evolving laws and regulations in the PRC. To manage compliance risks, we have established a dedicated legal and compliance function with designated staff responsible for regularly monitoring updates to laws and regulations issued by the NMPA and other relevant government authorities. This ensures that we obtain and renew all necessary licenses, permits, and approvals for our business operations in a timely manner. Our internal policies and protocols are continuously updated to reflect changes in laws, regulations, and industry standards.

Intellectual Property Risk Management

We have established an internal intellectual property management system and implemented various policies to properly manage our IP portfolio and mitigate the risk of infringement litigation. We have implemented policies for patent application, trademark registration, and trade secret protection. We actively monitor market activities to identify potential infringements of our IP rights and take appropriate legal actions when necessary. As a technology-intensive company, we may face claims from third parties alleging infringement. Consequently, we may be urged to obtain licenses for their technology. See “Risk Factors — Risks Relating to Our Business and Industry — 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” for more details.

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AWARDS AND RECOGNITIONS

Up to the Latest Practicable Date, we had received awards and recognition in respect of our products, technology and innovation, significant ones of which are set forth below:

Award/Recognition	Award Authority	Year of Grant
National Typical Cases of Digital Transformation in User Goods (Variety, Quality, and Brand)	Department of User Goods Industry, Ministry of Industry and Information Technology	2026
Candidate Entity for National Intellectual Property Demonstration Construction Enterprise	China National Intellectual Property Administration	2026
National Key Specialized, Sophisticated, Distinctive, and Innovative “Little Giant” Enterprises	Ministry of Industry and Information Technology of the PRC	2024
CNAS Laboratory Accreditation	China National Accreditation Service for Conformity Assessment	2025
National Specialized, Sophisticated, Distinctive, and Innovative “Little Giant” Enterprises	Ministry of Industry and Information Technology of the PRC	2022
National High and New Technology Enterprise	Department of Science and Technology of Jiangsu Province	2025
National BSL-2 Laboratory	Wuxi Municipal Health Commission	2025
Enterprise in the Cultivation Library for National Patent Industrialization Model Enterprises	Jiangsu Intellectual Property Administration	2025
Jiangsu Province Academician and Expert Innovation Center	Jiangsu Association for Science and Technology	2025
Jiangsu Province Advanced Smart Factory	Jiangsu Industry and Information Technology Department	2025
National Post-Doctoral Research Station	Human Resources and Social Security Department of Jiangsu Province	2024
Jiangsu Province Quality Credit AAA Grade Enterprise	Jiangsu Administration for Market Regulation	2024
Jiangsu Provincial Engineering Research Center	Jiangsu Development and Reform Commission	2023