

MAOGEPING

BEAUTY

毛戈平化妝品股份有限公司 Mao Geping Cosmetics Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 1318



GLOBAL OFFERING

Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

MAOGEPING

BEAUTY

Mao Geping Cosmetics Co., Ltd.

毛戈平化妝品股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

- Number of Offer Shares** : 70,588,200 H Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)
- Number of Hong Kong Offer Shares** : 7,058,900 H Shares (subject to reallocation and the Offer Size Adjustment Option)
- Number of International Offer Shares** : 63,529,300 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
- Maximum Offer Price** : HK\$29.80 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and a Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
- Nominal value** : RMB0.50 per H Share
- Stock code** : 1318

*Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinator,
Joint Bookrunner and Joint Lead Manager*

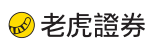


Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners

Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Overall Coordinator, on behalf of the Underwriters, and our Company on or before Friday, December 6, 2024 or such later time as may be agreed between the parties, but in any event, no later than 12:00 noon on Friday, December 6, 2024 (Hong Kong time). The Offer Price will be not more than HK\$29.80 per Share and is currently expected to be not less than HK\$26.30 per Share, unless otherwise announced. If, for any reason, the Sole Overall Coordinator, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by 12:00 noon on Friday, December 6, 2024 the Global Offering will not proceed and will lapse immediately.

Investors applying for the Offer Shares are required to pay, on application (subject to application channel), the maximum offer price of HK\$29.80 for each Offer Share together with a brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price is lower than HK\$29.80. The Sole Overall Coordinator, on behalf of the Underwriters, may, where considered appropriate and with the Company's consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this Prospectus (which is HK\$26.30 to HK\$29.80) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the website of our Company at www.maogeping.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the offer will be canceled and relaunched at the revised number of Offer Shares and/or the revised Offer Price range and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental prospectus or a new prospectus (as appropriate)), as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the section headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk Factors." Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Sole Overall Coordinator, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (a) in the United States solely to Qualified Institutional Buyers ("QIBs") in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

Attention

The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this document will be provided by the Company.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.maogeping.com. If you require a printed copy of this document, you may download and print from the website address above.

December 2, 2024

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus in relation to the Hong Kong Public Offering.

This Prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.maogeping.com. **You may download and print from these website addresses if you want a printed copy of this Prospectus.**

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through the **HKSCC EIPO** channel to electronically cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to submit electronic application instruction(s) on your behalf through HKSCC’s FINI system in accordance with your instructions.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this Prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this Prospectus is available online at the website addresses stated above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 100 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

Mao Geping Cosmetics Co., Ltd.
(HK\$29.80 per Hong Kong Offer Share)

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
100	3,010.05	1,500	45,150.81	8,000	240,804.27	90,000	2,709,047.96
200	6,020.11	2,000	60,201.07	9,000	270,904.79	100,000	3,010,053.30
300	9,030.16	2,500	75,251.33	10,000	301,005.34	150,000	4,515,079.96
400	12,040.21	3,000	90,301.59	20,000	602,010.65	200,000	6,020,106.60
500	15,050.26	3,500	105,351.87	30,000	903,015.99	250,000	7,525,133.26
600	18,060.32	4,000	120,402.13	40,000	1,204,021.32	500,000	15,050,266.50
700	21,070.37	4,500	135,452.40	50,000	1,505,026.66	750,000	22,575,399.76
800	24,080.43	5,000	150,502.66	60,000	1,806,031.98	1,000,000	30,100,533.00
900	27,090.48	6,000	180,603.20	70,000	2,107,037.31	2,000,000	60,201,066.00
1,000	30,100.52	7,000	210,703.73	80,000	2,408,042.65	3,529,400 ⁽¹⁾	106,236,821.17

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at www.maogeping.com and the website of the Stock Exchange at www.hkexnews.hk.

Hong Kong Public Offering commences 9:00 a.m. on Monday,
December 2, 2024

Latest time to complete electronic applications under the
White Form eIPO service through the
designated website at www.eipo.com.hk⁽²⁾ 11:30 a.m. on Thursday,
December 5, 2024

Application lists open⁽³⁾ 11:45 a.m. on Thursday,
December 5, 2024

Latest time to (a) complete payment of **White Form
eIPO** applications by effecting Internet banking
transfers(s) or PPS payment transfer(s) and (b) give
electronic application instructions to HKSCC 12:00 noon on Thursday,
December 5, 2024

If you are instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you are advised to contact your broker or custodian for the earliest and latest time for giving such instructions which may be different from the latest time as stated above, as this may vary by broker or custodian.

Application lists close⁽³⁾ 12:00 noon on Thursday,
December 5, 2024

Expected Price Determination Date⁽⁵⁾ Friday,
December 6, 2024

Announcement of the final Offer Price, the level of
indications of interest in the International Offering,
the level of applications in the Hong Kong Public Offering
and the basis of allocation of the Hong Kong Offer Shares
to be published on the website of the Stock Exchange at
www.hkexnews.hk and the Company's website at
www.maogeping.com on or before Monday,
December 9, 2024

EXPECTED TIMETABLE⁽¹⁾

Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (as described in the section headed "How to Apply for Hong Kong Offer Shares — B. Publication of Results" in this prospectus), including:

- in the announcement to be posted on our website and the website of the Stock Exchange at www.maogeping.com and www.hkexnews.hk, respectively 11:00 p.m. on Monday, December 9, 2024

- results of allocation for the Hong Kong Public Offering will be available at www.iporeresults.com.hk (alternatively: English www.eipo.com.hk/eIPOAllotment) with a "search by ID" function from 11:00 p.m. on Monday, December 9, 2024 to 12:00 midnight on Sunday, December 15, 2024

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Tuesday, December 10, 2024 to Friday, December 13, 2024

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before⁽⁶⁾⁽⁹⁾ Monday, December 9, 2024

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price per Offer Share is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before⁽⁸⁾⁽⁹⁾ Tuesday, December 10, 2024

Dealings in H Shares on the Stock Exchange expected to commenced at 9:00 a.m. on Tuesday, December 10, 2024

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, Extreme Conditions and/or a “black” rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Thursday, December 5, 2024, the application lists will not open or close on that day. For further details, please see “How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements” of this prospectus.
- (4) Applicants who apply for Kong Offer Shares by giving **electronic application instructions** to HKSCC via **HKSCC EIPO** channel or instructing your broker or custodian to apply on your behalf via **HKSCC EIPO** channel should refer to “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels” of this prospectus.
- (5) The Price Determination Date is expected to be on or before Friday, December 6, 2024. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us by 12:00 noon on Friday, December 6, 2024, the Global offering will not proceed and will lapse.
- (6) The H Share certificates are expected to be issued on Monday, December 9, 2024 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Tuesday, December 10, 2024. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of the H Share certificates and before they become valid do so entirely of their own risk.
- (7) None of the website or any of the information contained on the websites forms part of this prospectus.
- (8) **White Form** e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of wholly or partially successful applicants if the Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document number before encashment of the refund check. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund check.
- (9) Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to “How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies” for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of **White Form** e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

EXPECTED TIMETABLE⁽¹⁾

Any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies".

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" of this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENTS	v
SUMMARY	1
DEFINITIONS	22
GLOSSARY OF TECHNICAL TERMS	38
FORWARD-LOOKING STATEMENTS	41
RISK FACTORS	43
WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES	80
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING	85
DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	91

CONTENTS

CORPORATE INFORMATION	99	
INDUSTRY OVERVIEW	101	
REGULATORY OVERVIEW	122	
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE	152	
BUSINESS	180	
CONNECTED TRANSACTIONS	275	
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	282	
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	300	
SUBSTANTIAL SHAREHOLDERS	306	
SHARE CAPITAL	309	
CORNERSTONE INVESTORS	314	
FINANCIAL INFORMATION	323	
FUTURE PLANS AND USE OF PROCEEDS	382	
UNDERWRITING	385	
STRUCTURE OF THE GLOBAL OFFERING	400	
HOW TO APPLY FOR HONG KONG OFFER SHARES	413	
APPENDIX I	ACCOUNTANTS' REPORT	I-1
APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III	VALUATION REPORT	III-1
APPENDIX IV	TAXATION AND FOREIGN EXCHANGE	IV-1
APPENDIX V	SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS	V-1
APPENDIX VI	SUMMARY OF THE ARTICLES OF ASSOCIATION	VI-1
APPENDIX VII	STATUTORY AND GENERAL INFORMATION	VII-1
APPENDIX VIII	DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY	VIII-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

OVERVIEW

We are the leading Chinese premium beauty group. Founded in 2000 by a renowned makeup artist in China’s beauty industry, Mr. MAO Geping (毛戈平), we have established a strong presence in China’s beauty industry. We are the only domestic market player among the top ten premium beauty groups in China, ranking seventh based on the total retail sales of all premium brands owned by each group in 2023 with a market share of 1.8%, according to Frost & Sullivan. The premium beauty market in China has grown at a CAGR of 7.8% from 2018 to 2023, reaching RMB194.2 billion in 2023, and is expected to continue growing at a CAGR of 9.9%, reaching RMB311.0 billion by 2028. Domestic beauty groups, with their insights into Chinese consumer preferences, are well-positioned to meet the growing demand fueled by a renewed sense of cultural pride and appreciation for oriental aesthetics. From 2018 to 2023, the market size of domestic beauty brands in China expanded at a CAGR of 9.8%, outpacing the 5.9% CAGR of international brands during the same period.

As the leader among China’s domestic premium beauty brands, we have experienced rapid growth throughout the Track Record Period. Our total revenue increased from RMB1,577.3 million in 2021 to RMB1,829.1 million in 2022 and further increased to RMB2,886.0 million in 2023, representing a CAGR of 35.3% from 2021 to 2023. Our total revenue also increased by 41.0% from RMB1,398.5 million in the six months ended June 30, 2023 to RMB1,971.5 million in the same period in 2024. In addition, our net profits increased from RMB330.9 million in 2021 to RMB352.1 million in 2022 and further increased to RMB663.5 million in 2023, representing a CAGR of 41.6% from 2021 to 2023. Our net profits also increased by 41.0% from RMB349.3 million in the six months ended June 30, 2023 to RMB492.5 million for the same period in 2024. According to Frost & Sullivan, our revenue growth rate during the Track Record Period significantly exceeded the industry average. With outstanding sales performance, we constantly solidify our market leadership and brand equity within the premium beauty industry.

SUMMARY

OUR BUSINESS

Brands and Products

Drawing upon the aesthetic philosophy of our founder, we have created beauty products that capture the essence of light and shadow makeup artistry and oriental aesthetics to bring out the best makeup effects. We primarily operate two beauty brands: our flagship brand MAOGEPING and Love Keeps. We offer a selective portfolio of color cosmetics and skincare products under each brand, speaking to different consumer demographics. Our commitment to quality is deeply embedded in our corporate culture and influences every facet of our operations from product design to consumer engagement, solidifying our premium market position and broad market recognition.

MAOGEPING. As our flagship brand launched in 2000, MAOGEPING was named after our founder, Mr. Mao Geping (“Mr. Mao”). MAOGEPING offers a wide array of products guided by light and shadow makeup artistry and oriental aesthetics. In particular, “light and shadow makeup artistry” refers to the strategic use of highlighting and contouring techniques to enhance facial structure. “Oriental aesthetics,” on the other hand, encapsulates the beauty ideas and principles originating from traditional Chinese culture, characterized by Chinese elements that deeply resonate with Chinese consumers. Our commitment to such aesthetic philosophy has cemented MAOGEPING’s positioning within the premium beauty industry, blending artistry with makeup techniques and the essence of oriental culture to enhance makeup effects. Based on criteria aligned with industry standards including retail prices, sales channels and brand recognition, MAOGEPING was the only domestic brand among the top 15 premium beauty brands in China, ranking 12th by retail sales in 2023 with a market share of 1.8%, according to Frost & Sullivan. Throughout the Track Record Period, we primarily derived our revenue from product sales of MAOGEPING, which contributed 96.6%, 98.4%, 99.0%, 99.0% and 99.3% of our total revenue from product sales in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Love Keeps. In 2008, we expanded our brand portfolio with the launch of Love Keeps. Love Keeps offers an assortment of color cosmetics and skincare products that deliver reliable performance at accessible price points. By targeting the mass market, Love Keeps ensures accessibility to a broad range of customers.

Upholding a premium brand positioning, we offer color cosmetics products inspired by Mr. Mao’s foundational philosophy in light and shadow makeup artistry and oriental aesthetics, as well as skincare lines that integrate high-quality formulas with select ingredients. Our color cosmetics primarily include makeup products for foundation, highlighting and contouring, lips and eyes. Our skincare products primarily include face creams, eye care, facial masks, serums and cleansers. Moreover, we have launched limited editions of color cosmetics, such as Eastern Aura Elegance (氣蘊東方), which encapsulate industry trends, celebrate traditional cultures, and incorporate advanced technology for enhanced application and wear. Some of our best-selling products, such as the Luminous Cream Foundation product series and Luxury Caviar Facial Mask, are widely recognized in the market. In the six months ended June 30,

SUMMARY

2024, the Luminous Cream Foundation product series and Luxury Caviar Facial Mask had achieved retail sales of over RMB200.0 million and RMB450.0 million, respectively. As of June 30, 2024, our product portfolio comprised 387 SKUs across both categories.

The following table sets forth the total sales volume and average selling prices of our products by product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Sales Volume	Average Selling Price ⁽¹⁾	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	Unit in thousands	RMB per unit	Unit in thousands	RMB per unit	Unit in thousands	RMB per unit	Unit in thousands	RMB per unit	Unit in thousands	RMB per unit
Color Cosmetics . . .	6,895.4	148.8	6,346.1	158.0	9,718.8	166.9	4,710.5	160.4	6,622.7	163.8
Skincare	1,398.7	335.1	2,244.6	343.9	3,598.1	322.3	1,879.3	321.4	2,351.0	346.6
Overall	8,294.1	180.3	8,590.7	206.6	13,316.9	208.9	6,589.8	206.3	8,973.7	211.7

Note:

- (1) The average selling price accounts for the prices of products sold through all sales channels, including direct sales to consumers, as well as sales made to retailers and distributors.

The average selling prices are generally lower than the high end of the listed price range primarily due to: (i) lower prices of products sold to retailers and distributors than that to consumers as we offer discounts for bulk purchases, which is in line with typical industry practice; and (ii) the calculation of average selling price excludes Value Added Tax (“VAT”) and incorporates adjustments for sales discounts, loyalty points and other promotional activities that affect the final selling price.

The following table sets forth a breakdown of revenue from product sales by brand in absolute amounts and as a percentage of our total revenue from product sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Product Sales										
– MAOGEPING	1,444,612	96.6	1,745,748	98.4	2,754,971	99.0	1,346,229	99.0	1,886,702	99.3
– Love Keeps	50,455	3.4	28,993	1.6	26,921	1.0	13,044	1.0	13,320	0.7
Total	1,495,067	100.0	1,774,741	100.0	2,781,892	100.0	1,359,273	100.0	1,900,022	100.0

SUMMARY

The following table sets forth our gross profit and gross profit margin of our products by brand for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Product sales										
- MAOGEPING	1,243,921	86.1	1,494,642	85.6	2,364,377	85.8	1,150,934	85.5	1,613,675	85.5
- Love Keeps	34,016	67.4	19,570	67.5	17,229	64.0	8,411	64.5	8,121	61.0
Total	1,277,937	85.5	1,514,212	85.3	2,381,606	85.6	1,159,345	85.3	1,621,796	85.4

Makeup Artistry Training

Dedicated to raising the standard of makeup artistry and aesthetic literacy in China, we had established nine Institutes of Makeup Artistry in China as of the Latest Practicable Date. We offer comprehensive in-person makeup training programs at these institutes to disseminate our deep-rooted knowledge in makeup artistry and Mr. Mao's aesthetics philosophy to makeup artists and beauty enthusiasts. As of June 30, 2024, we had 194 training personnel and 3,539 program participants enrolled in our training institutes. We offer a wide range of training programs designed to meet the diverse needs and aspirations of our program participants, from basic makeup techniques to advanced aesthetic concepts. Our investment in makeup artistry training not only bolsters our brand image and reputation, but also synergizes with our product development and sales, ensuring a well-rounded and enriching beauty experience that resonates with consumers and industry professionals alike.

Revenue by Business Line and Product Category

The following table sets forth our revenue breakdown by business line and product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Product Sales										
- Color cosmetics	1,026,354	65.1	1,002,772	54.8	1,622,185	56.2	755,364	54.0	1,085,050	55.1
- Skincare	468,713	29.7	771,969	42.2	1,159,707	40.2	603,909	43.2	814,972	41.3
Subtotal	1,495,067	94.8	1,774,741	97.0	2,781,892	96.4	1,359,273	97.2	1,900,022	96.4
Makeup artistry training and related sales	82,280	5.2	54,371	3.0	104,072	3.6	39,258	2.8	71,504	3.6
Total	1,577,347	100.0	1,829,112	100.0	2,885,964	100.0	1,398,531	100.0	1,971,526	100.0

SUMMARY

Gross Profit and Gross Profit Margin by Business Line and Product Category

The following table sets forth our gross profit and gross profit margin by business line and product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Product sales										
– Color cosmetics . . .	866,511	84.4	841,482	83.9	1,369,058	84.4	633,432	83.9	906,716	83.6
– Skincare	411,426	87.8	672,730	87.1	1,012,548	87.3	525,913	87.1	715,080	87.7
Subtotal	1,277,937	85.5	1,514,212	85.3	2,381,606	85.6	1,159,345	85.3	1,621,796	85.4
Makeup artistry training and related sales	38,069	46.3	19,066	35.1	66,639	64.0	22,861	58.2	51,757	72.4
Total	1,316,006	83.4	1,533,278	83.8	2,448,245	84.8	1,182,206	84.5	1,673,553	84.9

OUR SALES NETWORK

We sell our products through an extensive sales network integrating offline and online channels. Our offline channels comprise (i) direct sales primarily via our self-operated counters; (ii) sales to a premium multinational beauty retailer; and (iii) sales to offline distributors. Our self-operated counters are strategically located in department stores which we select specifically to reinforce the image and value of our brand. Adhering to an experiential marketing strategy, our counters are designed to feature a designated makeup station, supported by well-trained beauty advisors skilled in makeup knowledge and techniques to offer consumers professional makeup trials that augment the effects of our products. According to Frost & Sullivan, we had the second-largest self-operated counter network among all beauty brands in China, which consisted of 372 self-operated counters nationwide as of June 30, 2024. Our online channels cover e-commerce platforms such as Tmall, Xiaohongshu, Douyin, JD.com and Taobao through (i) direct sales via online stores; and (ii) sales to online distributors. Both of our offline and online channels expanded rapidly during the Track Record Period. See “Business — Our Sales Network.”

SUMMARY

Revenue from Product Sales by Sales Channel

The following table sets forth the breakdown of our revenue from product sales by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Offline channels										
Offline direct sales ⁽¹⁾	859,299	57.5	978,769	55.1	1,438,182	51.7	707,001	52.0	875,282	46.1
Sales to offline distributors	76,001	5.1	57,136	3.2	69,804	2.5	32,090	2.4	40,440	2.1
Sales to a premium multinational beauty retailer	30,656	2.0	44,574	2.5	94,080	3.4	49,216	3.6	51,093	2.7
Subtotal	965,956	64.6	1,080,479	60.8	1,602,066	57.6	788,307	58.0	966,815	50.9
Online channels										
Online direct sales	379,667	25.4	515,870	29.1	931,164	33.5	452,125	33.3	736,567	38.8
Sales to online distributors	149,444	10.0	178,392	10.1	248,662	8.9	118,841	8.7	196,640	10.3
Subtotal	529,111	35.4	694,262	39.2	1,179,826	42.4	570,966	42.0	933,207	49.1
Total	1,495,067	100.0	1,774,741	100.0	2,781,892	100.0	1,359,273	100.0	1,900,022	100.0

Note:

(1) Offline direct sales primarily relate to self-operated counters in department stores.

SUMMARY

Gross Profit and Gross Profit Margin of Product Sales by Sales Channel

The following table sets forth our gross profit and gross profit margin of product sales by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Gross</i>	<i>Margin</i>	<i>Gross</i>	<i>Margin</i>	<i>Gross</i>	<i>Margin</i>	<i>Gross</i>	<i>Margin</i>	<i>Gross</i>	<i>Margin</i>
	<i>Profit</i>	(<i>%</i>)	<i>Profit</i>	(<i>%</i>)	<i>Profit</i>	(<i>%</i>)	<i>Profit</i>	(<i>%</i>)	<i>Profit</i>	(<i>%</i>)
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Offline channels										
Offline direct sales ⁽¹⁾ . . .	756,646	88.1	857,501	87.6	1,268,840	88.2	622,568	88.1	769,786	87.9
Sales to offline										
distributors	55,269	72.7	42,677	74.7	52,453	75.1	24,013	74.8	30,296	74.9
Sales to a premium										
multinational beauty										
retailer	20,199	65.9	29,548	66.3	65,726	69.9	33,222	67.5	34,266	67.1
Subtotal	832,114	86.1	929,726	86.0	1,387,019	86.6	679,803	86.2	834,348	86.3
Online channels										
Online direct sales	321,043	84.6	436,385	84.6	787,275	84.5	380,716	84.2	622,406	84.5
Sales to online										
distributors	124,780	83.5	148,101	83.0	207,312	83.4	98,826	83.2	165,042	83.9
Subtotal	445,823	84.3	584,486	84.2	994,587	84.3	479,542	84.0	787,448	84.4
Total	1,277,937	85.5	1,514,212	85.3	2,381,606	85.6	1,159,345	85.3	1,621,796	85.4

Note:

(1) Offline direct sales primarily relate to self-operated counters in department stores.

SUMMARY

Key Operating Data

We primarily operate our self-operated counters under lease and concession models in cooperation with department stores. The following table sets forth the number of self-operated counters under the lease model and the concession model as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Lease model	18	28	45	59
Concession model	290	312	312	313
Total	308	340	357	372

For the details of the movement of our self-operated counters under the lease model and the concession model, see “Business — Our Sales Network — Offline Channels — Our Counter Network — Our Self-Operated Counters.”

The following table sets forth the details of our same counter revenue for the periods indicated:

	Year ended December 31,				Six months ended June 30,	
	2021	2022	2022	2023	2023	2024
Number of same counters ⁽¹⁾	230		277		312	
Aggregate same counter revenue (RMB in millions) . . .	731.5	783.0	878.7	1,193.8	655.3	773.9
Average same counter revenue (RMB in millions) . . .	3.2	3.4	3.2	4.3	2.1	2.5
Average same counter period-to-period revenue growth		7.0%		35.9%		18.1%

Note:

- (1) Refers to the number of counters that were in continuous operation throughout the entire current year/period and the entire preceding year/period.

SUMMARY

The following table sets forth the average daily revenue per counter by year of opening for the periods indicated:

Year of opening	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB in thousands</i>				
Newly opened within the same year	4.9	5.2	8.2	8.2	9.2
Opened in the previous year	5.8	5.5	8.7	7.7	9.0
Opened for two years or more	9.2	9.3	11.8	11.8	13.6
Overall	8.0	8.1	11.0	11.1	12.9

PRICING

The retail prices of our products are determined based on various factors, including cost of materials, the price of comparable products in the market, market conditions and our manufacturing and operation costs. As we may introduce the same products across different sales channels with varying product specifications, the final retail prices may vary across channels. However, we have generally implemented a consistent overall pricing strategy across all channels in terms of price per gram/ml for our products. Our color cosmetics products generally come with a recommended retail price range between RMB200 and RMB500. Our skincare products generally come with a recommended retail price range between RMB400 and RMB800. We may, from time to time, offer discounts and participate in promotional events hosted by third-party e-commerce platforms and department stores. We may also offer rewards and discounts to our registered members pursuant to our membership policies. With respect to sales to distributors, our products are generally sold at a discount to the recommended retail prices of our products, taking into account the volume of products purchased by our distributors, the profit margins of our distributors, the prices of our products across the market, marketing and promotion costs for the sales channels, designated distribution areas, and the number of end-customers the distributors can reach. For products sold to distributors who operate counters of our brands, prices also accounted for our operational costs for providing relevant support for counter operations. For details of our pricing policies for different sales channels, see “Business — Our Sales Network.” For pricing of our makeup training programs, see “Business — Makeup Artistry Training.”

SUMMARY

OUR PRODUCTION AND SUPPLY CHAIN MANAGEMENT

We primarily procure raw materials for color cosmetics and skincare products, packaging materials and outsourced finished products. To ensure optimal efficiency and uphold stringent quality control standards, we selectively partnered with reliable ODM/OEM providers for the production of our products throughout the Track Record Period. In this regard, we retained decisive authority over the products' attributes, efficacy and aesthetic presentation. Our efforts were concentrated on the refinement of essential cosmetic parameters, such as hue, oil-water balance, pliancy, viscosity and surfactant levels, to ensure our products suit the skin types and cosmetic needs and preferences of Chinese consumers. See “Business — Production and Supply Chain Management.”

CUSTOMERS AND SUPPLIERS

Our customers primarily comprise individual consumers and corporate customers, which primarily include offline retailers, including a premium multinational beauty retailer, and offline and online distributors. Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB174.2 million, RMB196.7 million, RMB250.2 million and RMB191.2 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, representing 10.9%, 10.7%, 8.8% and 9.7% of our total revenue for the same periods. See “Business — Our Customers.”

Our suppliers primarily comprise suppliers of cosmetic materials and finished products, ODM/OEM providers, and logistics and transportation services providers. Purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB175.8 million, RMB194.0 million, RMB262.3 million and RMB153.2 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, representing 52.8%, 50.5%, 53.6% and 52.3% of our total purchases for the same periods. See “Business — Our Suppliers.”

OUR STRENGTHS

We believe that the following strengths set us apart from our peers and allow us to capitalize on the market opportunities for our future development.

- Strong leadership established by Mr. Mao, a renowned makeup artist in China's beauty industry, forging our brands with aesthetic philosophy and entrepreneurial spirit;
- Leader in China's premium beauty market, with over two decades of industry expertise, sustaining rapid growth;
- Comprehensive product portfolio catering to diverse consumer beauty needs, with classic product designs and a touch of oriental aesthetics;

SUMMARY

- Integrated sales network with experiential shopping experience, fortifying brand presence;
- Commitment to excellence in product design and development, yielding consistent high quality;
- Persistently cultivating talent to promote the philosophy of oriental aesthetics; and
- Experienced management team and dedicated workforce committed to our vision and values.

See “Business — Our Strengths.”

OUR STRATEGIES

We believe the following strategies pave the way for our sustained success in the future.

- Enhancing sales network coverage to broaden consumer engagement;
- Continue focusing on color cosmetics and skincare and exploring new product categories;
- Strategically upgrading and expanding brand portfolio with MAOGEPING as the anchor;
- Strengthening global brand presence and overseas market penetration; and
- Upholding brand positioning founded on makeup artisanship, advancing product development and makeup artistry training.

See “Business — Our Strategies.”

COMPETITIVE LANDSCAPE

We operate in China’s beauty industry. “Beauty products” refer to cosmetics that can improve the condition of the skin and emphasize or alter the appearance of the face or body, mainly including skincare products and color cosmetics products. The industry in which we operate is highly competitive. According to Frost & Sullivan, the top five premium beauty brands, all of which are international beauty brands, collectively held a total market share of 32.1% in terms of retail sales in 2023, reflecting a relatively concentrated competitive landscape. We are the only domestic market player among the top ten premium beauty groups in China, ranking seventh by retail sales in 2023 with a market share of 1.8%, according to Frost & Sullivan. MAOGEPING was the only domestic brand among the top 15 premium beauty brands in China, ranking 12th in terms of retail sales in 2023, with a market share of 1.8%. See “Industry Overview.”

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our historical financial information for the periods or as of the dates indicated. This summary has been derived from our historical financial information set forth in the Accountants' Report in Appendix I to this prospectus. The summary historical financial data set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountants' Report in Appendix I to this prospectus, including the accompanying notes, and the information set forth in "Financial Information." Our historical financial information was prepared in accordance with HKFRS.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Revenue	1,577,347	1,829,112	2,885,964	1,398,531	1,971,526
Cost of sales	(261,341)	(295,834)	(437,719)	(216,325)	(297,973)
Gross profit	1,316,006	1,533,278	2,448,245	1,182,206	1,673,553
Other income and gains	21,588	33,379	46,633	34,892	56,142
Selling and distribution expenses	(763,428)	(962,443)	(1,412,361)	(657,794)	(937,210)
Administrative expenses	(124,343)	(133,041)	(192,093)	(92,231)	(133,309)
(Impairment losses)/reversal of impairment losses on financial assets, net	(3,070)	(873)	998	405	752
Other expenses	(63)	(198)	(822)	(109)	(293)
Finance costs	(2,805)	(3,115)	(2,033)	(1,132)	(2,561)
Share of (loss)/profit of an associate	—	—	(703)	—	535
Profit before tax	443,885	466,987	887,864	466,237	657,609
Income tax expense	(112,942)	(114,892)	(224,394)	(116,932)	(165,063)
Profit and total comprehensive income for the year/period	330,943	352,095	663,470	349,305	492,546
Attributable to:					
Owners of the parent	331,016	352,082	661,928	348,944	492,074
Non-controlling interests	(73)	13	1,542	361	472
	330,943	352,095	663,470	349,305	492,546

SUMMARY

Non-HKFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use adjusted net profit as an additional financial measure, which is not required by or presented in accordance with HKFRS. We believe this non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helps our management. However, such non-HKFRS financial measure may not be directly comparable to similar measures presented by other companies. The use of this non-HKFRS measure should not be considered as a substitute for analysis of our results of operations or financial condition as reported under HKFRS.

We define adjusted profit for the year/period (Non-HKFRS measure) as profit for the year/period adjusted by adding back listing expenses and equity-settled share award expense. The following table reconciles our adjusted profit for the year/period (Non-HKFRS measure) presented in accordance with HKFRS, which is profit for the year/period:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Profit for the year/period . . .	<u>330,943</u>	<u>352,095</u>	<u>663,470</u>	<u>349,305</u>	<u>492,546</u>
Add:					
Listing expenses ⁽¹⁾	–	–	950	–	15,559
Equity-settled share award expense ⁽²⁾	–	–	–	–	5,008
Adjusted profit for the year/period (Non-HKFRS measure) . . .	<u>330,943</u>	<u>352,095</u>	<u>664,420</u>	<u>349,305</u>	<u>513,113</u>

Notes:

- (1) Listing expenses represent professional fees incurred in connection with the Global Offering.
- (2) Equity-settled share award expense mainly represents the arrangement that we receive services from employees as consideration for our equity instruments. Equity-settled share award expense is not expected to result in future cash payments.

Our adjusted profit for the year (Non-HKFRS measure) increased by 6.4% from RMB330.9 million in 2021 to RMB352.1 million in 2022, and further increased by 88.7% from 2022 to RMB664.4 million in 2023. Our adjusted profit for the period (Non-HKFRS measure)

SUMMARY

increased by 46.9% from RMB349.3 million in the six months ended June 30, 2023 to RMB513.1 million in the six months ended June 30, 2024. Such increase throughout the Track Record Period was generally in line with the trend of our revenue growth and business expansion.

We recorded net profits of RMB330.9 million, RMB352.1 million, RMB663.5 million, RMB349.3 million and RMB492.5 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Our net profits increased throughout the Track Record Period, primarily due to the increase in revenue and gross profit generated from the sales of our products under the MAOGEPING brand. Our cost of sales increased throughout the Track Record Period, which was mainly attributable to the increase in sales volume of our products. See “Financial Information — Description of Major Components of Our Results of Operations — Cost of Sales.” In addition, our selling and distribution expenses increased throughout the Track Record Period, which was mainly attributable to the increase in (i) marketing and promotion expenses resulting from our efforts devoted to online and offline marketing activities; and (ii) department store and other leased premises fees, which were generally in line with the increase in number of counters and average sales per counter.

Selected Items from the Consolidated Statements of Financial Position

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

	As of December 31,			As of
	2021	2022	2023	June 30,
	2024			
	<i>(RMB in thousands)</i>			
Total current assets	896,053	1,334,413	1,698,017	1,177,173
Total non-current assets	234,891	221,497	396,551	659,128
Total assets	<u>1,130,944</u>	<u>1,555,910</u>	<u>2,094,568</u>	<u>1,836,301</u>
Total current liabilities	289,806	390,063	529,305	762,753
Total non-current liabilities	58,717	31,331	17,277	28,708
Total liabilities	<u>348,523</u>	<u>421,394</u>	<u>546,582</u>	<u>791,461</u>
Net current assets	<u>606,247</u>	<u>944,350</u>	<u>1,168,712</u>	<u>414,420</u>
Net assets	<u>782,421</u>	<u>1,134,516</u>	<u>1,547,986</u>	<u>1,044,840</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	60,000	60,000	60,000	200,000
Reserves	721,660	1,073,742	1,485,670	842,852
	781,660	1,133,742	1,545,670	1,042,852
Non-controlling interests	761	774	2,316	1,988
Total equity	<u>782,421</u>	<u>1,134,516</u>	<u>1,547,986</u>	<u>1,044,840</u>

SUMMARY

Our net current assets decreased by 64.5% from RMB1,168.7 million as of December 31, 2023 to RMB414.4 million as of June 30, 2024, primarily due to (i) a decrease in cash and cash equivalents of RMB585.0 million, (ii) an increase in other payables and accruals of RMB76.3 million, (iii) an increase in trade payables of RMB44.1 million and (iv) a decrease in inventories of RMB29.6 million, partially offset by an increase in trade and bills receivables of RMB76.1 million. In particular, the cash and cash equivalents decreased from RMB1,137.9 million as of December 31, 2023 to RMB552.9 million as of June 30, 2024, primarily due to the payment of dividends declared. We recorded dividends payable of RMB25.0 million as of December 31, 2023, which were fully paid in January 2024. In addition, at our shareholders' general meetings held in February 2024 and April 2024, we declared dividends of RMB500.0 million and RMB500.0 million to all shareholders, respectively, which were fully paid in March 2024 and May 2024, respectively.

Our net current assets increased by 23.8% from RMB944.4 million as of December 31, 2022 to RMB1,168.7 million as of December 31, 2023, primarily due to (i) an increase in cash and cash equivalents of RMB250.0 million, (ii) an increase in trade and bills receivables of RMB44.2 million, and (iii) an increase in inventories of RMB42.7 million, partially offset by an increase in other payables and accruals of RMB105.4 million and an increase in tax payable of RMB43.2 million.

Our net current assets increased by 55.8% from RMB606.2 million as of December 31, 2021 to RMB944.4 million as of December 31, 2022, primarily due to (i) an increase in cash and cash equivalents of RMB396.3 million, and (ii) an increase in inventories of RMB89.7 million, partially offset by an increase in trade payables of RMB69.8 million and a decrease in financial assets at fair value through profit or loss of RMB51.0 million.

Our net assets decreased by 32.5% from RMB1,548.0 million as of December 31, 2023 to RMB1,044.8 million as of June 30, 2024, primarily due to the dividends declared to shareholders of RMB1.0 billion in the six months ended June 30, 2024, partially offset by the profit and total comprehensive income for the period of RMB492.5 million.

Our net assets increased by 36.4% from RMB1,134.5 million as of December 31, 2022 to RMB1,548.0 million as of December 31, 2023, primarily due to the profit and total comprehensive income for the year of RMB663.5 million in 2023, partially offset by the dividends paid to shareholders of RMB250.0 million.

Our net assets increased by 45.0% from RMB782.4 million as of December 31, 2021 to RMB1,134.5 million as of December 31, 2022, primarily due to the profit and total comprehensive income for the year of RMB352.1 million in 2022.

SUMMARY

Summary of the Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Cash generated from operations . . .	390,870	528,224	878,942	430,413	768,940
Income tax paid	(90,939)	(140,107)	(179,234)	(84,322)	(149,870)
Net cash generated from operating activities	<u>299,931</u>	<u>388,117</u>	<u>699,708</u>	<u>346,091</u>	<u>619,070</u>
Net cash flows (used in)/from investing activities	<u>(84,495)</u>	<u>30,899</u>	<u>(194,707)</u>	<u>(19,816)</u>	<u>(249,288)</u>
Net cash flows used in financing activities	<u>(65,561)</u>	<u>(22,692)</u>	<u>(255,006)</u>	<u>(240,947)</u>	<u>(954,776)</u>
Net increase/(decrease) in cash and cash equivalents	149,875	396,324	249,995	85,328	(584,994)
Cash and cash equivalents at beginning of year/period . . .	341,700	491,575	887,899	887,899	1,137,894
Cash and cash equivalents at end of year/period	<u>491,575</u>	<u>887,899</u>	<u>1,137,894</u>	<u>973,227</u>	<u>552,900</u>

Key Financial Ratios

The following table sets forth our key financial ratios for the periods indicated:

	As of/Year ended December 31,			As of/Six months ended
	2021	2022	2023	June 30, 2024
Gross profit margin	83.4%	83.8%	84.8%	84.9%
Net profit margin	21.0%	19.2%	23.0%	25.0%
Return on equity	52.0%	36.7%	49.5%	76.0%
Return on total assets	35.9%	26.2%	36.3%	50.1%
Current ratio	3.1	3.4	3.2	1.5
Quick ratio	2.4	2.7	2.6	1.1

See “Financial Information — Key Financial Ratios” for calculation of the above financial ratios.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$28.05 per Share (being the mid-point of the Offer Price Range stated in this prospectus), we estimate that we will receive net proceeds of approximately HK\$1,844.5 million from the Global Offering after deducting the underwriting commission and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 25.0% of the net proceeds, or HK\$461.1 million, is expected to be used for expanding our sales network;
- approximately 20.0% of the net proceeds, or HK\$369.0 million, is expected to be used for our branding activities;
- approximately 15.0% of the net proceeds, or HK\$276.6 million, is expected to be used for overseas expansion and acquisitions;
- approximately 10.0% of the net proceeds, or HK\$184.5 million, is expected to be used for strengthening our production and supply chain capabilities;
- approximately 9.0% of the net proceeds, or HK\$166.0 million, is expected to be used for enhancing our product design and development capabilities;
- approximately 6.0% of the net proceeds, or HK\$110.6 million, is expected to be used for our makeup artistry training institutes;
- approximately 5.0% of the net proceeds, or HK\$92.2 million, is expected to be used for digitizing our operations and information infrastructure; and
- approximately 10.0% of the net proceeds, or HK\$184.5 million, is expected to be used for working capital and general corporate uses.

See “Future Plans and Use of Proceeds.”

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in “Risk Factors.” You should carefully read that section in its entirety before you decide to invest in our Offer Shares. Some of the major risks we face include: (i) our business success has been driven by certain key personnel, including our founder, Mr. Mao. There is no guarantee that our Name and Portrait Rights Licensing Framework Agreement with Mr. Mao, which will expire in December 2026, will be renewed by Mr. Mao or renewed with similar terms; (ii) our business and prospects depend on the reputation and market perception of our brands. Any negative

SUMMARY

publicity with respect to our Company, our founder Mr. Mao and management, our brands and products, KOLs, suppliers or other business partners may materially and adversely affect our brand image and results of operations; (iii) our success is dependent on the continued popularity of our products and our ability to compete effectively in the premium beauty industry; (iv) we face intense competition from other premium beauty brands in China's premium beauty industry; (v) we are susceptible to consumer complaints due to the subjective nature of beauty product satisfaction; (vi) the cosmetics and beauty industries and the demand for our products are subject to changes in the general economic conditions and our consumers' willingness to spend on beauty products; (vii) our historical results of operations and financial performance may not be indicative of future performance; (viii) our business success is dependent on our ability to continuously upgrade and innovate our existing product offerings, and failure to do so may compromise our competitive edge and reduce our market share; (ix) our attempts in developing, launching and promoting new brands and products may not be successful; and (x) any failure to execute effective sales and marketing strategies or adjust such strategies according to market changes may materially and adversely affect our business, financial condition and results of operations. See "Risk Factors."

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Mao and Ms. Wang were collectively interested in approximately 57.26% of our total issued share capital, comprising (i) 43.63% of our total issued share capital directly held by Mr. Mao, (ii) 11.34% of our total issued share capital directly held by Ms. Wang, (iii) 0.55% of our total issued share capital controlled by Mr. Mao and Ms. Wang indirectly through Dijing Investment which was controlled by Ms. Wang and Mr. Mao as to 35.45% and 10%, respectively, with Mr. Mao acting as its general partner, and (iv) 1.74% of our total issued share capital controlled by Ms. Wang indirectly through Jiachi Investment. Immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), Mr. Mao and Ms. Wang will, directly and indirectly through Dijing Investment and Jiachi Investment, continue to control in aggregate approximately 48.68% of our total issued share capital. Therefore, Mr. Mao, Ms. Wang, Dijing Investment and Jiachi Investment will remain as our Controlling Shareholders upon Listing.

We believe our Group's success does not solely rely on the empowerment by Mr. Mao, and our various sales and marketing means, establishment of extensive sales channels and experiential and personalized customer service, product quality, strong brand reputation established over the years and independent daily management and operations carried out by an experienced senior management team contributed to our success and will remain as the major and collective factors to the success and sustainability of our Group. Based on the foregoing, our Directors are of the view that changes in the relationship between Mr. Mao and our Group will not have a material adverse impact on our business while our Group is capable of managing and sustaining its business and is able to effectively mitigate the risk exposure even with the reduction of involvement of Mr. Mao. See "Relationship with Our Controlling Shareholders" and "Risk Factors — Risks Relating to Our Business and Industry — Our

SUMMARY

business success has been driven by certain key personnel, including our founder, Mr. Mao. There is no guarantee that our Name and Portrait Rights Licensing Framework Agreement with Mr. Mao, which will expire in December 2026, will be renewed by Mr. Mao or renewed with similar terms.”

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in (i) our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and (ii) the H Shares to be converted from our existing Unlisted Shares.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 70,588,200 H Shares have been issued pursuant to the Global Offering; (ii) 470,588,200 Shares have been issued and are outstanding following the completion of the Global Offering saved as disclosed in note (3) below; (iii) 171,655,400 Unlisted Shares will be converted into H shares upon the completion of the Global Offering; and (iv) the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

	Based on an Offer Price of HK\$26.30 per Share	Based on an Offer Price of HK\$29.80 per Share
Market capitalization of our Shares ⁽¹⁾	HK\$12,376 million	HK\$14,024 million
Market capitalization of our H Shares ⁽²⁾	HK\$6,371 million	HK\$7,219 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share ⁽³⁾	HK\$6.10 (RMB5.64)	HK\$6.60 (RMB6.10)

Notes:

- (1) The calculation of market capitalization is based on 70,588,200 H Shares expected to be issued pursuant to the Global Offering and totally 470,588,200 Shares in issue immediately upon completion of the Global Offering presuming the conversion of Unlisted Shares into H Shares, and that the Offer Size Adjustment Option and the Over-allotment Option are not exercised.
- (2) The calculation of market capitalization of our H Shares is based on 242,243,600 H Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as of June 30, 2024 is calculated after making the adjustments referred to in Appendix II to this prospectus, and based on 470,588,200 Shares are in issue, assuming the Global Offering had been completed on June 30, 2024, without taking into account any shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option and the Over-Allotment Option.

For the calculation of the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share, see “Appendix II – Unaudited Pro Forma Financial Information.”

SUMMARY

DIVIDENDS AND DIVIDEND POLICY

At our shareholders' general meetings held in March 2021 and May 2023, we declared dividends of RMB40.0 million and RMB250.0 million to all shareholders, respectively. In March 2021 and May 2023, we paid dividends of RMB40.0 million and RMB225.0 million to all shareholders, respectively. In addition, we recorded a dividends payable of RMB25.0 million as of December 31, 2023, which was fully paid in January 2024.

At our shareholders' general meeting held in February 2024, we declared dividends of RMB500.0 million to all shareholders. In March 2024, we paid dividends of RMB500.0 million to all shareholders.

At our shareholders' general meeting held in April 2024, we declared dividends of RMB500.0 million to all shareholders, which were fully paid in May 2024. Other than the aforementioned dividends, our accrued consolidated retained earnings before the Global Offering will be shared among our existing shareholders and new shareholders.

Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. We currently do not have any fixed dividend pay-out ratio. Our Shareholders in a general meeting may approve any declaration of dividends recommended by our Board.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB125.2 million (assuming an Offer Price of HK\$28.05 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Offer Size Adjustment Option and the Over-allotment Option), representing 6.8% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB25.1 million, of which RMB16.5 million was charged to the consolidated statements of profit or loss and other comprehensive income as administrative expenses and RMB8.6 million will be deducted from equity. We expect to incur additional listing expenses of approximately RMB100.1 million, of which approximately RMB22.2 million is expected to be recognized in the consolidated statements of profit or loss and other comprehensive income as administrative expenses and approximately RMB77.9 million is expected to be recognized as a deduction in equity directly upon the Listing. Our Directors do not expect such expenses to materially impact our results of operations in 2024. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB73.2 million; and (ii) non-underwriting related expenses of approximately RMB52.0 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB28.3 million and other fees and expenses of approximately RMB23.7 million.

SUMMARY

RECENT DEVELOPMENTS

Since the end of the Track Record Period, we have continued to advance our business development initiatives by strengthening cooperation with our business partners. For example, we have expanded our sales channels and began selling our products in Hong Kong starting from July 2024.

Our business continued to expand after June 30, 2024. In particular, we experienced sales growth in the nine months ended September 30, 2024 compared to the same period in 2023. We have also been continuously developing new products and had launched new SKUs after June 30, 2024 up to the Latest Practicable Date.

We entered into a state-owned construction land use right assignment agreement (國有建設用地使用權出讓合同) with the local government authority during the Track Record Period, pursuant to which we are entitled to the land use right to a parcel of land located in Hangzhou, Zhejiang, with a site area of 11,960 sq.m upon full payment. We had made full payment and obtained the land use right certificate for this parcel of land in October 2024. See “Business — Properties — Owned Properties.” Our Independent Property Valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, has valued this property as of October 31, 2024 at RMB623.0 million. Details of the valuation of this property are summarized in Appendix III to this prospectus.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2024, being the end date of the periods reported on in the Accountants’ Report included in Appendix I to this document, and there is no event since June 30, 2024 that would materially affect the information as set out in the Accountants’ Report included in Appendix I to this prospectus.

On April 10, 2024, we submitted an application for overseas issuance and listing recordation to the CSRC. On April 30, 2024, the CSRC issued the Supplementary Material Requirements for Overseas Issuance and Listing Recordation (《境外發行上市備案補充資料要求》) in response to our application. The CSRC issued the Notice of Filing on November 7, 2024 for the Global Offering and for the listing of the Shares on the Stock Exchange.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this prospectus
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the articles of association of our Company, which was passed by our Shareholders at the Shareholders’ meeting on April 1, 2024, which shall become effective on the Listing Date, as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix VI to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Authorized Representative(s)”	the authorized representative(s) of our Company
“Beijing Diyue”	Beijing Diyue Cosmetics Co., Ltd. (北京迪悦化妝品有限公司), a company established in the PRC with limited liability on May 13, 2019 and a subsidiary of our Company held by our Company as to 95.00%
“Beijing Mao Geping Training Institute”	Beijing Mao Geping Professional Skill Training Chaoyang Institute Co., Ltd. (北京市毛戈平職業技能培訓朝陽學校有限責任公司), a company established in the PRC with limited liability on May 17, 2021 and a subsidiary of our Company held by our Company as to 99.00%
“Board Diversity Policy”	the board diversity policy of our Company
“Board” or “Board of Directors”	the board of Directors of our Company
“Business day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Capital Market Intermediaries”	the capital market intermediaries as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this prospectus

DEFINITIONS

“Chengdu Mao Geping Training Institute”	Chengdu Mao Geping Professional Skill Training Institute Co., Ltd. (成都毛戈平形象設計職業技能培訓學校有限公司), a company established in the PRC with limited liability on January 7, 2020 and an indirect wholly-owned subsidiary of our Company
“China” or “Mainland China” or “PRC”	the People’s Republic of China for the purpose of this prospectus and for geographical reference only, except where the context requires, references in this prospectus to “China”, “Mainland China” and the “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan, China
“Chongqing Diyue”	Chongqing Diyue Cosmetics Co., Ltd. (重慶迪悅化妝品有限公司), a company established in the PRC with limited liability on April 21, 2023 and an indirect wholly-owned subsidiary of our Company
“Chongqing Mao Geping Training Institute”	Chongqing Mao Geping Professional Skill Training Co., Ltd. (重慶市渝中區毛戈平職業技能培訓有限責任公司), a company established in the PRC with limited liability on May 11, 2018 and an indirect wholly-owned subsidiary of our Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” or “the Company”	Mao Geping Cosmetics Co., Ltd. (毛戈平化妝品股份有限公司), including our predecessor, which was a limited liability company established in the PRC on July 28, 2000 and was formerly known as Hangzhou Mao Geping Cosmetics Co., Ltd. (杭州毛戈平化妝品有限公司) from July 2000 to August 2008 and from September 2008 to November 2008, and Hangzhou Huidu Cosmetics Co., Ltd. (杭州匯都化妝品有限公司) from August 2008 to September 2008 and from November 2008 to December 2015

DEFINITIONS

“Compliance Advisor”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refers to Mr. Mao, Ms. Wang, Dijing Investment and Jiachi Investment, details of which are set out in the section headed “Relationship with our Controlling Shareholders”
“Conversion of Unlisted Shares into H Shares”	the conversion of 171,655,400 Unlisted Shares (immediately following the Share Subdivision) in aggregate held by 14 existing Shareholders into H Shares upon the completion of the Global Offering. Such conversion of Unlisted Shares into H Shares has been filed with the CSRC on April 10, 2024 and an application for H Shares to be listed on the Stock Exchange has been made to the Listing Committee
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code in Appendix C1 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Dijing Investment”	Hangzhou Dijing Investment Management Partnership (Limited Partnership) (杭州帝景投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on April 28, 2011, and one of our Controlling Shareholders
“Director(s)”	the director(s) of our Company
“Douyin”	Douyin (抖音), a Chinese short video social media app
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

DEFINITIONS

“FINI”	“Fast Interface for New Issuance”, the online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for the Listing
“General Rules of HKSCC”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group,” “our Group,” “the Group,” “we,” or “us,”	our Company and its subsidiaries
“Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Hangzhou Baisheng”	Hangzhou Baisheng Cultural Communication Co., Ltd. (杭州柏笙文化傳播有限公司), a company established in the PRC with limited liability on April 14, 2023 and an indirect wholly-owned subsidiary of our Company
“Hangzhou Diyue”	Hangzhou Diyue Cosmetics Co., Ltd. (杭州迪悅化妝品有限公司), a company established in the PRC with limited liability on June 2, 2016 and a direct wholly-owned subsidiary of our Company
“Hangzhou Keyunshi”	Hangzhou Keyunshi Biotechnology Co., Ltd. (杭州科韻詩生物科技有限公司), a company established in the PRC with limited liability on August 18, 2022 and a direct wholly-owned subsidiary of our Company
“Hangzhou Love Keeps”	Hangzhou Love Keeps Cosmetics Co., Ltd. (杭州至愛終生化妝品有限公司), a company established in the PRC with limited liability on November 7, 2013 and a direct wholly-owned subsidiary of our Company

DEFINITIONS

“Hangzhou Mao Geping”	Hangzhou Mao Geping Cosmetics Co., Ltd. (杭州毛戈平化妝品有限公司), a company established in the PRC with limited liability on July 28, 2000, the predecessor of our Company, and was formerly known as Hangzhou Mao Geping Cosmetics Co., Ltd. (杭州毛戈平化妝品有限公司) from July 2000 to August 2008 and from September 2008 to November 2008, and Hangzhou Huidu Cosmetics Co., Ltd. (杭州匯都化妝品有限公司) from August 2008 to September 2008 and from November 2008 to December 2015
“Hangzhou Shang Du Hui”	Hangzhou Shang Du Hui Cosmetics Technology Co., Ltd. (杭州尚都匯化妝品科技有限公司), a company established in the PRC with limited liability on January 2, 2024 and a direct wholly-owned subsidiary of our Company
“Hangzhou Xingyi”	Hangzhou Xingyi Equity Investment Co., Ltd. (杭州星屹股權投資有限公司), a company established in the PRC with limited liability on December 29, 2022 and a direct wholly-owned subsidiary of our Company
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
“ HKSCC EIPO ”	the application for Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC

DEFINITIONS

“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Offer Shares”	the H Shares initially offered by our Company (subject to reallocation and the Offer Size Adjustment Option as described in “Structure of the Global Offering”) pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares by our Company for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated November 29, 2024, relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Sole Sponsor, the Sole Overall Coordinator and the Hong Kong Underwriters
“H Share(s)”	overseas listed foreign share(s) in the share capital of our Company, with a nominal value of RMB0.50 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing and permission to deal in on the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Independent Third Party(ies)”	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Listing Rules
“Institute(s) of Makeup Artistry”	Wuhan Mao Geping Training Institute, Beijing Mao Geping Training Institute, Chengdu Mao Geping Training Institute, Chongqing Mao Geping Training Institute, Shanghai Mao Geping Training Institute, Shenzhen Mao Geping Training Institute, Zhengzhou Mao Geping Training Institute, Hangzhou Mao Geping Image Design Art Co., Ltd., Qingdao Branch (杭州毛戈平形象設計藝術有限公司青島分公司), Hangzhou Mao Geping Image Design Art Co., Ltd., First Branch (杭州毛戈平形象設計藝術有限公司第一分公司) and Hangzhou Mao Geping Image Design Art Co., Ltd., Shanghai Branch (杭州毛戈平形象設計藝術有限公司上海分公司) (each, an “Institute of Makeup Artistry”, collectively, the “Institutes of Makeup Artistry”)
“International Offer Price”	the final offer price per International Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%)
“International Offer Shares”	the H Shares initially offered by our Company pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by us pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, subject to reallocation as described in “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs only in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Underwriters”	the group of underwriters, led by the Sole Overall Coordinator, that expects to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Sole Overall Coordinator, the International Underwriters and us on or about December 6, 2024
“JD.com”	JD.com (京東商城), also known as “JD” and “Jingdong”, a third party e-commerce platform, which offers a wide range of products in China
“Jiachi Investment”	Hangzhou Jiachi Investment Management Partnership (Limited Partnership) (杭州嘉馳投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on April 28, 2011 and one of our Controlling Shareholders
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this prospectus
“Joint Global Coordinators”	the joint global coordinators as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this prospectus
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this prospectus
“Latest Practicable Date”	November 23, 2024, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Light and Shadow Aesthetics”	Guangying Meixue (Hangzhou) Network Technology Co., Ltd. (光影美學(杭州)網絡科技有限公司), a company established in the PRC with limited liability on September 4, 2020 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Light and Shadow Color”	Guangying Secai (Hangzhou) Network Technology Co., Ltd. (光影色彩(杭州)網絡科技有限公司), a company established in the PRC with limited liability on October 25, 2022 and an indirect subsidiary of our Company held by our Company as to 67.00%
“Listing”	the listing of our H shares on the main board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Tuesday, December 10, 2024 on which the H shares are listed on the Main Board of the Hong Kong Stock Exchange and from which dealings in the H shares are permitted to commence on the Main Board of the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Mao Geping Image Design”	Hangzhou Mao Geping Image Design Art Co., Ltd. (杭州毛戈平形象設計藝術有限公司), a company established in the PRC with limited liability on August 10, 2010 and a direct wholly-owned subsidiary of our Company
“Mao Geping Technology”	Hangzhou Mao Geping Technology Co., Ltd. (杭州毛戈平科技有限公司), formerly known as Hangzhou Meilunhuan Trading Co., Ltd. (杭州美侖煥貿易有限公司), a company established in the PRC with limited liability on November 12, 2009 and a direct wholly-owned subsidiary of our Company
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Mao”	Mr. MAO Geping (毛戈平), our founder, chairman of the Board, an executive Director, and one of the Controlling Shareholders of our Company

DEFINITIONS

“Ms. Wang”	Ms. WANG Liquan (汪立群), an executive Director, vice chairperson of the Board, and one of the Controlling Shareholders of our Company
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%) of not less than HK\$26.30 and expected to be not more than HK\$29.80, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, being ordinary shares of the Company, together with, where relevant, any additional ordinary shares which we may issue pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option
“Offer Size Adjustment Option”	the option under the Hong Kong Underwriting Agreement, exercisable by the Company with the prior written agreement between the Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on or before the execution of the Price Determination Agreement, pursuant to which the Company may issue and allot up to an aggregate of 10,588,200 additional H Shares (representing in aggregate approximately 15.0% of the Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover additional market demand, as described in “Structure of the Global Offering — Offer Size Adjustment Option”

DEFINITIONS

“Over-allotment Option”	the option we expect to grant to the International Underwriters, exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) under the International Underwriting Agreement, which may require us to allot and issue up to an aggregate of 10,588,200 additional Offer Shares (representing in aggregate approximately 15% of the Offer Shares initially being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised) or up to 12,176,400 additional Offer Shares (representing in aggregate approximately 15% of the Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisor”	Jingtian & Gongcheng, our legal advisor as to the laws of the PRC
“Pre-IPO Investments”	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in “History, Development and Corporate Structure — Pre-IPO Investments” in this prospectus
“Pre-IPO Investors”	the investor(s) who participated in our Pre-IPO Investments, details of which are set out in “History, Development and Corporate Structure — Pre-IPO Investments — Information relating to our Pre-IPO Investors” in this prospectus

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into by the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date to record and fix the pricing of the Offer Shares
“Price Determination Date”	the date, expected to be on or about Friday, December 6, 2024, on which the Offer Price will be determined, or such later time as the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and we may agree, but in any event, not later than 12:00 noon on Friday, December 6, 2024
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as the SAMR
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC

DEFINITIONS

“SAT”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Securities Law” or “PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Diyue”	Shanghai Diyue Cosmetics Co., Ltd. (上海迪悅化妝品有限公司), a company established in the PRC with limited liability on March 31, 2023 and an indirect wholly-owned subsidiary of our Company
“Shanghai Mao Geping Training Institute”	Shanghai Mao Geping Professional Skill Training Institute Co., Ltd. (上海毛戈平職業技能培訓有限公司), a company established in PRC with limited liability on June 20, 2024 and a subsidiary of our Company held by our Company as to 99.9999%
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB0.50 each upon the completion of the Share Subdivision, comprising Unlisted Share(s) and H Share(s); before the completion of the Share Subdivision, ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Subdivision”	the Share Subdivision immediately prior to the Listing, pursuant to which each of our Share with par value of RMB1.00 will be subdivided into two Shares with par value of RMB0.50 each
“Shenzhen Dushi”	Shenzhen Dushi Enterprise Management Partnership (Limited Partnership) (深圳市篤實企業管理合夥企業(有限合夥)), a limited partnership established in the PRC with limited liability on January 23, 2024, a Pre-IPO Investor

DEFINITIONS

“Shenzhen Mao Geping Training Institute”	Shenzhen Mao Geping Professional Skill Training Institute Co., Ltd. (深圳市毛戈平職業技能培訓學校有限公司), a company established in the PRC with limited liability on November 14, 2023 and an indirect wholly-owned subsidiary of our Company
“Sole Overall Coordinator”	China International Capital Corporation Hong Kong Securities Limited
“Sole Sponsor”	China International Capital Corporation Hong Kong Securities Limited
“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定)
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Suzhou Jinhong”	Suzhou Jinhong Venture Capital Partnership (Limited Partnership) (蘇州錦鴻創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on January 23, 2024, and a Pre-IPO Investor
“Taobao”	Taobao.com (淘寶), a third party consumer-to-consumer e-commerce platform, which offers a wide range of products in China
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Tmall”	tmall.com (天貓), a third-party business-to-consumer e-commerce platform in China
“Track Record Period”	the three years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Unlisted Share(s)”	ordinary share(s) issued by the Company, with a nominal value of RMB0.50 each, which were subscribed for or credited as paid in Renminbi and held by domestic Shareholders
“U.S.” or “United States”	the United States of America, its territories and possessions
“US\$,” “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Weibo”	Sina Weibo (新浪微博), a Chinese microblogging (weibo) website and social media platform
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO Service Provider, at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wuhan Mao Geping Training Institute”	Wuhan Mao Geping Image Design Professional Skill Training Institute Co., Ltd (武漢市江岸區毛戈平形象設計職業培訓學校有限公司), a company established in the PRC with limited liability on May 6, 2019 and an indirect wholly-owned subsidiary of our Company
“Xiaohongshu”	xiaohongshu.com, also known as “RED” (小紅書), a third-party social media and e-commerce platform in China

DEFINITIONS

“Zhejiang Huidu”	Zhejiang Huidu Cosmetics Co., Ltd. (浙江匯都化妝品有限公司), a company established in the PRC with limited liability on March 8, 2021 and a direct wholly-owned subsidiary of our Company
“Zhejiang Mao Geping Institute of Makeup Artistry”	Zhejiang Mao Geping Institute of Makeup Artistry (浙江毛戈平形象設計藝術學校), a private non-enterprise institute established in the PRC with limited liability on September 15, 2000, which was indirectly wholly owned by our Company and was voluntarily deregistered in 2018
“Zhengzhou Mao Geping Training Institute”	Zhengzhou Mao Geping Professional Skill Training Institute Co., Ltd. (鄭州市毛戈平職業培訓學校有限公司), a company established in the PRC with limited liability on January 16, 2018 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

In this prospectus, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction,” “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

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

“beauty product(s)”	cosmetics products that can improve the condition of the skin and emphasize or alter the appearance of the face or body, mainly including skincare products and color cosmetics products
“CAGR”	compound annual growth rate, referring to the year-over-year growth rate, which is calculated by taking the nth root of the total percentage growth rate over a specified period of time. The formula for calculating CAGR is: $(\text{Ending Value}/\text{Beginning Value})^{(1/\text{number of years})}-1$
“color cosmetics”	products that can emphasize or alter the appearance of the face or body, which mainly include eyeliner, lipstick, foundation and other makeup products
“complaint rate”	the ratio of complaints received through online and offline channels in a year/period divided by the total number of consumers who had made at least one purchase in the same year/period
“cosmetics products”	products that are applied by means of smearing, spraying or other similar methods on any part of the human body’s surface, such as the skin, hair, finger and toenails, lips and teeth, etc., in order to achieve the purpose of cleansing, maintaining, beautifying, modifying and altering the appearance of the human’s face and body, or correcting the body’s odor to keep it in good condition; which include skincare, personal care, color cosmetics, perfume and others
“domestic beauty brands”	beauty brands owned by companies headquartered in China
“fragrance”	products that emit a pleasant scent, particularly perfumes and colognes
“GMV”	gross merchandise volume, the total value of all orders placed

GLOSSARY OF TECHNICAL TERMS

“international beauty brands”	beauty brands owned by companies headquartered outside of China
“kg”	kilogram, a unit of weight equal to 1,000 grams
“KOL(s)”	key opinion leader(s)
“light and shadow”	the pictorial representation in terms of light and shade without regard to color
“light and shadow makeup artistry”	the strategic use of highlighting and contouring techniques to enhance facial structure
“Luminous Cream Foundation product series”	A series of foundation products including Luminous Perfect Cream Foundation, Luminous Transparent Cream Foundation and Luminous Moisture Cream Foundation
“mass-market brand”	brands positioned to offer products with high price performance to consumers. Mass-market brands often command a middle to low price range that the unit price is either equal to or below the industry average, and in some cases, their unit price is slightly higher but not exceeding 50% of the industry average. Mass-market brands often have broader distribution channels
“ODM”	original design manufacturing, where a manufacturer designs and manufactures a product which is specified by the customer and eventually marketed and sold under the customer’s brand name or under no specific brand
“OEM”	original equipment manufacturing, where a manufacturer manufactures a product in accordance with the customer’s design and specifications and is marketed and sold under the customer’s brand name or under no specific brand
“oriental aesthetics”	design and beauty principles that are characteristic of East Asian cultures
“product return rate”	measured by the ratio of the amount of product returns to our revenue of each period
“R&D”	research and development

GLOSSARY OF TECHNICAL TERMS

“repurchase rate”	calculated by dividing the number of consumers who purchased our products for two or more times during a specific period of time by the number of consumers who made a least one purchase during the same period of time
“skincare products”	product that can improve skin integrity, provide relief to skin conditions, and address specific skin concerns such as acne, dark spots, etc.
“SKU(s)”	stock keeping unit(s), to help identify and track inventories
“sq.m.”	square meter, a unit of area measurement
“premium brand”	brands positioned to meet the demands of consumers for prestige, high quality, and exclusivity through perceived-value products. Premium brands often command an ultra-price range in which the unit price is at least 50% higher than the industry average, and their products are selectively distributed, typically found in premium department stores. These premium brands have a distinguished brand image with a focus on uniqueness, heritage, and lifestyle. The majority of leading premium beauty brands were founded by celebrities or artists who use their names as brand names

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

FORWARD-LOOKING STATEMENTS

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business success has been driven by certain key personnel, including our founder, Mr. Mao. There is no guarantee that our Name and Portrait Rights Licensing Framework Agreement with Mr. Mao, which will expire in December 2026, will be renewed by Mr. Mao or renewed with similar terms.

Our business operations and growth prospects heavily rely on the experience and abilities of our founder, Mr. Mao, and other management members who perform vital functions in various areas, including strategic planning, operations management, product development, and customer relations. Accordingly, the discontinued service of any such member, whether due to resignation, retirement or other reasons, could disrupt our operations and impact our ability to execute our business strategies effectively. Specifically, our founder, Mr. Mao, is a well-known makeup artist in China’s makeup, television and film and beauty industry and is deeply involved in the overall management of our business operations. Should any incidents that may jeopardize his ability to manage the Company or any negative publicity regarding his fame occur, failure to promptly identify and address it may result in reputational damages, diversion of management’s attention and resources from other important business concerns, which may potentially negatively impact our business operation and lead to declines in our product sales. While we believe the rights given to us under the Name and Portrait Rights Licensing Framework Agreement can further secure Mr. Mao’s collaboration with us in a stable manner, there remains a risk that Mr. Mao may become unable or unwilling to continue his involvement with us due to unforeseen circumstances, leading to a non-renewal of such license agreement upon its expiration in December 2026. Furthermore, there is also a possibility that Mr. Mao may renew such license agreement with less favorable terms towards us. The inability to use Mr. Mao’s name and likeness could lead to a decline in brand recognition and customer affinity, particularly if no comparable alternative branding strategy can be implemented in a

RISK FACTORS

timely and effective manner. Additionally, any disputes or disagreements that may arise between Mr. Mao and us could potentially jeopardize the existing licensing arrangement, which could adversely affect our rights to use his name and portrait, leading to a loss of brand recognition and customer trust.

Furthermore, our success depends on our ability to attract, retain, and motivate highly skilled talents. The competition for such talent is intense, and we may not be successful in our recruitment and retention efforts. Any failure to attract and retain the necessary talent could limit our growth prospects and operational capabilities. Additionally, any changes in our compensation policies or benefits could impact our ability to retain key personnel.

Our business and prospects depend on the reputation and market perception of our brands. Any negative publicity with respect to our Company, our founder Mr. Mao and management, our brands and products, KOLs, suppliers or other business partners may materially and adversely affect our brand image and results of operations.

Our sustained growth and success depend significantly on consumer recognition and trust in our brands, especially MAOGEPING, from which we derived the vast majority of our revenue during the Track Record Period. Named after our founder, MAOGEPING's brand value and equity are closely associated with Mr. Mao's personal reputation. As a result, our brand reputation and image might be damaged by any adverse publicity concerning Mr. Mao, as well as our Company, Directors, management and other personnel. Moreover, negative media coverage, including disparaging comments, reviews, or misinformation about our brands or products on social media platforms, or any negative publicity related to our business partners, such as KOLs, suppliers or other business partners, could negatively affect consumer perception and confidence in our brands and products. In addition, adverse publicity about our industry, whether or not directly associated with us, may influence general consumer perception towards industry participants, further eroding confidence in our brands and products.

Additionally, our reputation and image could suffer from product defects, liability claims and consumer complaints. Any of such events could have damaged our brand image and reputation, further materially and adversely affecting our business, financial condition and results of operations. In the event that we receive a substantial number of complaints or negative reviews, our brand reputation could be adversely affected, which in turn could impact our sales and financial condition. Any significant customer dissatisfaction, particularly if amplified through social media or other public forums, could attract regulatory scrutiny and potentially result in sanctions, fines, or mandatory corrective actions that result in a material and adverse effect on our results of operations.

RISK FACTORS

Our success is dependent on the continued popularity of our products and our ability to compete effectively in the premium beauty industry.

We operate in an industry characterized by constant and unpredictable changes in consumer preferences and industry trends. The success of our business and operations depends largely on our ability to anticipate, interpret and adapt to these changing preferences and trends, and to continually deliver products that appeal to consumers, including color cosmetics and skincare products. In order to maintain and improve our market position, we continuously invest in developing, producing and marketing new products, maintaining and increasing our brand awareness, optimizing our product offerings, and improving our sales and marketing strategies, all of which require extensive market research and planning, effective execution and significant expenditure. However, we cannot assure you that all of these efforts will be successful. If we fail to accurately anticipate and respond to industry changes, or if we experience delays in developing and launching new products that align with those changes, our products may become less desirable or obsolete. In addition, the premium beauty market is highly competitive, with numerous established and emerging players. We mainly compete with other domestic and international premium beauty brands in China. Our performance is dependent on our ability to distinguish our products from those of our competitors and to deliver superior quality and value to consumers. Should we not succeed in these endeavors, our financial condition, results of operations, and prospects may be materially and adversely affected.

We face intense competition from other premium beauty brands in China's premium beauty industry.

According to Frost & Sullivan, the premium beauty industry in China is relatively concentrated, with the top five brands occupying a market share of 32.1% in terms of retail sales in 2023, all of which are international beauty brands. Our capacity to compete effectively hinges on a number of factors including our brand reputation, product innovation and functionality, competitive pricing, quality, production efficiency, robust sales and marketing strategies. Some of our competitors may possess greater financial, technical, and marketing resources, more established brand recognition, longer operating histories and larger customer bases. We may also face competition from existing competitors or new entrants with respect to pricing, which may result in price reductions or reduced margins that would adversely affect our profitability. If we are not able to compete effectively, our market share could decline and our business, financial condition and results of operations could be materially and adversely affected.

We are susceptible to consumer complaints due to the subjective nature of beauty product satisfaction.

Our business is significantly reliant on the consistent satisfaction of our consumers with our beauty products. Consumer preferences in the beauty industry are highly subjective and can vary widely among individuals. The multifaceted nature of beauty product satisfaction means that what may be effective and pleasing for one customer may not meet the expectations of

RISK FACTORS

another. Despite our commitment to high-quality products and customer service, there is an inherent risk of complaints or negative feedback arising from consumers who believe that the products have not performed as expected or have not met their personal standards of efficacy or aesthetic appeal. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material customer complaints and litigations in connection with product safety and quality. In the event that we receive a substantial number of complaints or negative reviews, our brand reputation could be adversely affected, which in turn could impact our sales and financial condition. Any significant customer dissatisfaction, particularly if amplified through social media or other public forums, could attract regulatory scrutiny and potentially result in sanctions, fines, or mandatory corrective actions that result in a material and adverse effect on our results of operations.

The cosmetics and beauty industries and the demand for our products are subject to changes in the general economic conditions and our consumers' willingness to spend on beauty products.

The cosmetics and beauty industries, as well as the demand for our products, are significantly influenced by general economic conditions and consumer spending behavior. While people's demand for beauty and personality expression is growing, the cosmetic and beauty market and the demand for our products depends on the disposable income of our customers and their willingness to spend on such beauty products, which would therefore be more vulnerable to economic downturn or macroeconomic environment. During economic downturns, consumers may prioritize their spending, focusing on essentials and potentially reducing their expenditure on items like cosmetics. As such, any decrease in our customers' affordability of such beauty products may lead to reduced customer flow, which in turn could have a material adverse impact on our business, financial condition and results of operations.

Our historical results of operations and financial performance may not be indicative of future performance.

We commenced business operations in 2000 and experienced rapid growth during the Track Record Period. Our revenue increased from RMB1,577.3 million in 2021 to RMB1,829.1 million in 2022, and further increased to RMB2,886.0 million in 2023. Our revenue increased from RMB1,398.5 million in the six months ended June 30, 2023 to RMB1,971.5 million in the six months ended June 30, 2024. Our gross profit margins remained relatively stable at 83.4%, 83.8% and 84.8%, in 2021, 2022 and 2023, respectively. Our gross profit margins remained stable at 84.5% in the six months ended June 30, 2023 and 84.9% in the six months ended June 30, 2024. In addition, our profit before tax increased from RMB443.9 million in 2021 to RMB467.0 million in 2022, and further increased to RMB887.9 million in 2023. Our profit before tax increased from RMB466.2 million in the six months ended June 30, 2023 to RMB657.6 million in the six months ended June 30, 2024. We may not be able to sustain the same level of growth, or our revenue, gross profit margin and profit before tax may decline for reasons such as decreased consumer demand for our products, cost fluctuations of input materials, supply chain disruptions, increased competition in the industry, or damage to our

RISK FACTORS

reputation or brand image. We may also encounter unforeseen difficulties in operations. Failure to address these risks and challenges may affect our growth and profitability. You should therefore not rely on our historical results of operations as indicative of our future performance.

Our business success is dependent on our ability to continuously upgrade and innovate our existing product offerings, and failure to do so may compromise our competitive edge and reduce our market share.

We have consistently devoted our efforts to designing and developing new products in order to upgrade and innovate our existing product offerings to maintain our market position. During the Track Record Period, we developed and upgraded a total of 262 new SKUs for MAOGEPING and Love Keeps, with an average of approximately 75 SKUs upgraded each year to satisfy evolving consumers' preferences. However, we cannot assure you that such efforts will always be successful. The upgraded products resulting from such efforts may not be well received by consumers, sometimes due to factors beyond our control, including:

- more innovative, fashionable and effective products offered by our competitors;
- continuously upgrading product technologies that render our products obsolete;
- inability of our ODM and OEM providers to apply the latest product technologies and to produce products of the optimal effects; and
- fast-changing industry trends and consumer preferences that deviate vastly from our products style.

We cannot assure you that we will succeed in anticipating or reacting to changes in customer preferences, or that we are able to keep up with advances in design and manufacturing technologies. If we misjudge the market for our products or are late in recognizing changing trends and customer preferences, we could experience poor returns on investment, an inability to maintain premium pricing for our products or extend the value of our brands to other products and damage to our reputation. If we are unable to improve existing product offerings in a cost-effective and timely manner, our competitive edge and market share would be compromised. Any of these could have a material adverse effect on our business, financial condition and results of operations, and we may fail to capture or maintain our market share.

Our attempts in developing, launching and promoting new brands and products may not be successful.

We have continuously worked to develop new brands and products to meet changing consumer preferences and market trends. See "Business — Product Design and Development." However, we cannot assure you that such efforts will be successful. The commercialization of new products depends on multiple factors which may be beyond our control, including industry

RISK FACTORS

trends, market demand, regulatory approvals, production efficiency, competition and consumer acceptance. Additionally, we may attempt to launch new brands, and such attempts have inherent risks, such as those relating to incorrect judgments regarding consumer preferences, market demand and new brand image and pricing. Failure to diversify our products and brands may lead to decreased sales volume and profitability, loss of market share and reliance on existing products. Some of our product candidates require regulatory approvals and delays in obtaining them could negatively impact our business. Failure to obtain regulatory approvals or registration certificates for our product candidates in a timely manner would hinder us from penetrating into the relevant markets, which may adversely affect our business and financial performance.

In addition, the launch of new brands and products may potentially lead to a decline in sales of certain existing products. Product innovation could also exert pressure on our employees and financial resources, including expenses related to product development, marketing, and advertising that may not be offset by adequate sales. Moreover, the success of new product sales may hinge on the effectiveness of our inventory management and the quality of delivery and order fulfillment services offered by our logistics providers. We may encounter product shortages, delays, or defective or incorrect product deliveries. Such events could hinder our ability to meet our sales targets, thereby materially impacting our business, financial condition and results of operations.

During the Track Record Period, we also collaborated with third parties to develop new products. See “Business — Product Design and Development.” However, we cannot assure you that we could successfully launch the new products as anticipated or at all, or that the consumers will be receptive to our new products. Even if we are able to launch new products, it may take time for the new products to gain market acceptance. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Any failure to execute effective sales and marketing strategies or adjust such strategies according to market changes may materially and adversely affect our business, financial condition and results of operations.

The success of our business relies on our ability to consistently attract and retain consumers through effective sales and marketing strategies, which is crucial for increasing product sales, gaining market acceptance and maintaining customer relationships. During the Track Record Period, we invested substantial resources primarily in strengthening experiential marketing in high-end department stores and increasing online brand penetration and product visibility. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our selling and distribution expenses amounted to RMB763.4 million, RMB962.4 million, RMB1,412.4 million, RMB657.8 million and RMB937.2 million, respectively, representing 48.4%, 52.6%, 48.9%, 47.0% and 47.5% of our total revenue of the same period, respectively. See “Business — Branding and Marketing.” However, we cannot assure you that our sales and marketing strategies will always be effective. Any failure to execute our sales and marketing strategies in a cost-effective manner could have a negative impact on our profitability. In addition, we may need to adjust our sales and marketing strategies in response to the debut of new products or

RISK FACTORS

rapid changes in consumer preferences and demands in China's beauty industry. Failure to do so in a timely manner may result in a decline in product sales and market share. Both of these could have a material adverse effect on our business, financial condition and results of operations.

Moreover, as consumer preferences change over time and new sales channels emerge, we might not be able to promptly identify or capitalize on such market opportunities. Any failure in hiring and retaining qualified sales and marketing personnel to execute our strategies effectively, executing our branding and marketing strategies, or timely adjusting our strategies to respond to market trends may result in a loss of market share, decrease in revenue and damage to our business. In particular, our relationships with third parties such as distributors, retailers, KOLs and e-commerce platforms are vital for our sales and marketing efforts as they provide us with extensive market access and insights that help enhance our brand awareness. Nonetheless, we cannot assure the preservation or enhancement of these relationships due to their potential market exits, shifts in focus, or collaborations with competitors. If we fail to maintain these relationships, our business, financial condition and results of operations may be negatively affected.

Our product design and development investment, including collaborations with third parties, may not generate expected outcomes.

We have placed significant emphasis on the design and development of our products. Our investments in product design and development are critical to maintaining our competitive edge and ensuring that our product offerings meet the evolving preferences and standards of consumers. However, there is an inherent risk that these investments in product design and development may not yield the expected results. The process of developing new beauty products is complex and uncertain, and may involve a lengthy timeline from conception to market launch. Despite our efforts to create high-quality products, there is no guarantee that our new or improved products will receive market acceptance, achieve commercial success, or generate a return on our investment.

Moreover, we had engaged third parties for collaborative product development during the Track Record Period, which may pose additional risks such as disputes over intellectual property rights, potential breaches of contract, or failure to meet development milestones. These factors could lead to delays, increased costs, or termination of projects, which could adversely affect our financial condition and prospects. In the event that our product design and development activities do not lead to successful product launches or do not meet the strategic objectives of our Company, our ability to grow and remain competitive could be impaired. This could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Product quality is core to our business. Any quality issues related to our products may result in a loss of customers and subject us to product liability claims.

Our reputation and customer trust heavily rely on the consistent quality of our products. Any compromise in product quality or occurrence of side effects, whether due to manufacturing defects, supply chain issues, or inadequate quality control measures, could result in product returns or recalls and significantly impact our brand image, customer loyalty and market position. We have implemented a stringent quality control system supported by comprehensive quality control standards and standardized operating procedures to ensure the high standard of our products. See “Business — Product Safety and Quality.” However, the system may not always be successful in detecting defects, quality issues or side effects, especially if they originate from factors beyond our direct control, such as raw material defects or issues with third-party suppliers.

In addition, we are subject to a number of health and safety laws and regulations pertaining to the quality of cosmetics, including the Regulation on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), the Measures for the Supervision and Administration of Production and Operation of Cosmetics (《化妝品生產經營監督管理辦法》), the Safety and Technical Specification for Cosmetics (Version 2015) (化妝品安全技術規範(2015年版)), the Good Manufacturing Practice for Cosmetics (《化妝品生產質量管理規範》), the Measures for the Administration of Cosmetic Labels (《化妝品標籤管理辦法》) and the Measures for Supervision and Administration of Online Operation of Cosmetics (《化妝品網絡經營監督管理辦法》). See “Regulatory Overview — Regulations Relating to Cosmetics.” We cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury during the process of testing, development and manufacturing of our products. In the event of such accidents, we could face product liability claims and be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such inability, including reputational damage. Furthermore, we may be required to incur substantial costs to comply with current or future health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition and results of operations.

As we continue to expand our product range, we may encounter unforeseen quality issues with new products, whether arising from the use of new materials, technologies or production processes. The failure to detect, prevent, or control defects in our products, as well as the delivery of defective products to customers, could lead to adverse reactions, personal injuries, product recalls, license revocation, regulatory fines, product liability claims or other potential liabilities. Any of these events could result in a loss of customers, incur significant legal costs or cause reputational damages, further materially and adversely affecting our business, financial condition and results of operations.

RISK FACTORS

We may not be able to find suitable locations for counters on commercially acceptable terms, or at all.

The success of our sales through counters depends in part on our ability to find new counter locations, in which we cannot ensure success. We consider a variety of factors in selecting a new counter location, including the demographic and economic condition of the city, the quantity of in-city department stores and shopping centers, and the geographic position of the target location. We also assess the availability of ancillary facilities within and around the target location, the convenience of nearby transport and parking, the range and tier of brands and product categories within the department store or shopping center, the footfall and customer flow across different floors, as well as the operational performance of the department store or shopping center. See “Business — Our Sales Network — Offline Channels — Our Counter Network.” We compete with other cosmetics brands for suitable locations. Also, some property owners may offer priority or grant exclusivity for desirable locations to some of our competitors due to reasons that are beyond our control. As we establish more counters, we will need to secure more locations through leases or concession, as determined on a case-by-case basis. We cannot assure you that we will be able to lease suitable locations or enter into concession agreements with related department stores on terms commercially acceptable to us, or at all, which could impair our ability to expand and strengthen presence in ideal locations, acquire and retain consumers, enhance our brand awareness and sustain and increase product sales.

We may not be able to maintain or renew the lease or concession agreements of our counters with department stores.

We primarily enter into lease agreements or concession agreements with department stores for our counters. See “Business — Our Sales Network — Offline Channels — Our Counter Network.” It is important to the operation of our business that our existing leases and concession agreements are maintained or renewed on terms acceptable to us. In the event that we are unable to renegotiate or renew our leases or concession agreements on terms acceptable to us, or such leases or concession agreements are terminated for any reason prior to expiration, we will need to relocate the relevant counters to alternative premises. Any relocation of a counter may cause disruptions to our business and may require significant expenditure. We cannot assure you that, in such cases, we will be able to find suitable alternatives in a timely manner, or at all, which may result in the closure of such counter. Furthermore, any disputes with the property owners of our counters could lead to termination of the leases or concession agreements or litigation or claims, which could negatively affect our business, financial condition and results of operations.

RISK FACTORS

We rely on third-party e-commerce platforms to sell our products online. If such platforms' services or operations are interrupted or if our cooperation with such platforms terminates, deteriorates or becomes more costly, our business, financial condition and results of operations may be materially and adversely affected.

We have relied and continue to rely on certain third-party e-commerce platforms such as Tmall, Xiaohongshu and Douyin for online sales of our products and derived a portion of our online sales revenue through such platforms during the Track Record Period. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from online direct sales amounted to RMB379.7 million, RMB515.9 million, RMB931.2 million, RMB452.1 million and RMB736.6 million, respectively, accounting for 25.4%, 29.1%, 33.5%, 33.3% and 38.8% of our revenue generated from the product sales of the same period. In addition, in each period/year during the Track Record Period, our revenue generated from sales to online distributors, who in turn resold our products to other merchants who operate their own stores on the e-commerce platforms, or to consumers through their own stores on the e-commerce platforms, amounted to RMB149.4 million, RMB178.4 million, RMB248.7 million, RMB118.8 million and RMB196.6 million, respectively, accounting for 10.0%, 10.1%, 8.9%, 8.7% and 10.3% of our revenue generated from the product sales of the same period. See “Business — Our Sales Network — Online Channels — Online Direct Sales.” If such platform's services or operations are interrupted, if such platforms fail to provide satisfactory customer experience and fail to attract new and retain existing users, if our cooperation with such third-party e-commerce platforms terminates, deteriorates or becomes more costly, or if we fail to incentivize such platforms to drive traffic to our online stores on these platforms or promote the sale of our products, our business and results of operations may be materially and adversely affected. We cannot guarantee that we will be able to find alternative channels on terms and conditions commercially acceptable to us in a timely manner, or at all, especially given their leading position and significant influence in China's e-commerce industry. In addition, any negative publicity about such platforms, any public perception or claims that non-authentic, counterfeit or defective goods are sold on such platforms, be it with merit or proven or not, may deter visits to the platforms and result in less customer traffic or fewer sales of our products, which may negatively impact our business, financial condition and results of operations.

We are subject to the risks in relation to our distributors.

In line with industry practice, we have engaged distributors to expand our sales network and product reach. As of December 31, 2021, 2022, 2023 and June 30, 2024, we engaged 30, 17, 19 and 21 offline distributors, respectively, and we engaged 5, 12, 10 and 10 online distributors, respectively, as of the same date. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales to offline distributors amounted to RMB76.0 million, RMB57.1 million, RMB69.8 million, RMB32.1 million and RMB40.4 million, respectively, accounting for 5.1%, 3.2%, 2.5%, 2.4% and 2.1% of our revenue from product sales of the same period, respectively. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales to online distributors amounted to RMB149.4 million, RMB178.4 million, RMB248.7 million, RMB118.8 million and RMB196.6

RISK FACTORS

million, respectively, accounting for 10.0%, 10.1%, 8.9%, 8.7% and 10.3% of our revenue generated from product sales of the same period. See “Business — Our Sales Network.” Our success therefore partially depends on the performance of our distributors and our ability to maintain long-term relationships with them. Any significant underperformance in maintaining or sourcing additional orders, a substantial reduction in the volume of orders placed by distributors, or unexpected cessation of cooperation may materially and adversely affect our business performance. In addition, while we require our distributors to comply with distribution agreements, we cannot guarantee their strict adherence to these agreements or our prompt detection of their non-compliant activities. Any of their failure to fulfill contractual obligations or non-compliance with applicable regulatory requirements could negatively impact our business, leading to potential reputation damage, reduced sales volumes, costly litigation, or additional costs in finding new distributors as replacements due to early termination.

In addition, we cannot assure you whether our distributors can effectively market and sell our products successfully, maintain their competitiveness, or will not compete with each other for market share in respect of our products. If our distributors fail to promote and sell our products successfully, our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, some of our distributors may engage sub-distributors to reach markets within their designated distribution areas in offline channels or platforms in online channels where they do not have direct coverage. We generally do not have direct contractual relationships with these sub-distributors, which limits our ability to enforce compliance with our sales policies, quality standards, and pricing strategies. See “Business — Our Sales Network.” We cannot guarantee that sub-distributors will consistently adhere to our agreement terms with distributors or sales policies, or avoid competition amongst themselves. In the event that any sub-distributor fails to comply with our agreements, sales policies or meet their obligations to their customers, there could be a negative impact on the demand for our products, which could result in material and adverse effect on our business and results of operations.

We depend on a limited number of suppliers and vendors for the procurement of key raw materials, which may subject us to supplier concentration risks.

We rely on a limited number of suppliers and vendors for the procurement of raw materials for color cosmetics and skincare products, raw materials for product packaging and outsourced finished products during the Track Record Period. Purchase from our five largest suppliers in each year/period during the Track Record Period, amounted to RMB175.8 million, RMB194.0 million, RMB262.3 million and RMB153.2 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, representing 52.8%, 50.5%, 53.6% and 52.3% of our total purchase amount of the same period. Purchase from our largest supplier in each year/period during the Track Record Period amounted to RMB62.3 million, RMB79.2 million, RMB111.3 million and RMB53.0 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, representing 18.7%, 20.6%, 22.7% and 18.1% of our total purchase

RISK FACTORS

amount of the same period. See “Business — Our Suppliers.” This dependence creates a concentration risk that could have a material adverse effect on our supply chain and operations. If any of our primary suppliers fails to fulfill their obligations in terms of quality, quantity or timeliness, we may be unable to find alternative sources promptly or on commercially reasonable terms.

Our limited number of suppliers may also result in price increases, reduced control over production lead times, and a potential compromise in the quality of raw materials. We have engaged multiple suppliers for certain key raw materials and implemented rigorous quality control measures to ensure the consistent quality of raw materials and products. However, there can be no assurance that these measures will be sufficient to prevent disruptions or that we will be able to maintain our competitive position in the event of supplier problems. Furthermore, any financial, operational, or other setbacks faced by our major suppliers could result in a disruption to our production. The occurrence of any such events could materially and adversely affect our business, financial condition and results of operations.

We rely on certain ODM and OEM providers to design, develop and produce our products and our dependence on these external parties could expose us to additional risks.

We engaged certain ODM and OEM providers to participate in the design, development and production of our products to optimize operational efficiency and diversify our product range. We select our ODM and OEM providers based on stringent criteria. See “Business — Product Design and Development” and “Business — Production and Supply Chain Management — Production.” However, we cannot assure that our ODM and OEM providers will have sufficient capacity to meet the increasing demand for our products, which could result in delayed launch of new products and product delivery and harm our market reputation and consumer relationship. In addition, as our ODM and OEM providers generally take three to four months to produce our products, such production lead time may affect our abilities to manage inventory and implement our demand planning policies and procedures to ensure that scheduled production meets anticipated market demand. Any material deterioration in our relationships with such business partners, any significant business challenges faced by them, or any failure on their part to produce products consistent with our standards or in accordance with contractual or regulatory requirements could affect our product quality or supply, cause consumer dissatisfaction and harm our brands. Further, any leakage, plagiarism or disclosure of confidential information during the process of design, development or production by ODM and OEM providers could damage our reputation and jeopardize market competitiveness and may further subject us to legal proceedings and potential liabilities.

In the future, we may need to expand our production capacity by various measures including construction of new production facilities. See “Business — Production and Supply Chain Management — Production” and “Future Plans and Use of Proceeds.” We cannot assure you that our new production facilities will be ready in time or our production capacity will otherwise be successfully expanded. Failure to expand our production capacity would hinder our capacity to satisfy consumer demands and growth prospects. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction

RISK FACTORS

of new production facilities and maintenance of expanded production capacity. The delay or cancellation of our expansion could also subject us to disputes with various counterparties, such as general contractors, sub-contractors, equipment suppliers, financiers and relevant government authorities. Any of such events would materially and adversely affect our business, financial condition and results of operations.

We are susceptible to supply shortages and interruptions, long lead times, and price fluctuations for raw materials and ingredients, any of which could disrupt our supply chain and have a material adverse impact on our results of operations.

We primarily procure raw materials for color cosmetics and skincare products, product packaging materials and finished products. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our costs of inventories sold amounted to RMB195.1 million, RMB230.8 million, RMB355.1 million, RMB178.5 million and RMB243.2 million, respectively. Among which, our costs of raw materials amounted to RMB117.1 million, RMB152.8 million, RMB225.0 million, RMB116.6 million and RMB139.3 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. See “Business — Production and Supply Chain Management — Procurement.” Despite the precautionary measures we have taken, our reliance on third-party suppliers for raw materials could lead to supply disruptions if these suppliers face operational issues, financial instability, or other unforeseen circumstances. Additionally, we have limited control over the quantity and quality of raw materials supplied by third parties. Should there be any temporary or emergent shortage in the supply of raw materials or prolonged lead times, our production could be impacted which may result in a delay in delivery to our counters, resulting in insufficient supply or reputational damage. Any compromise in the quality of these materials could impact the quality of our products, leading to potential reputational damage and loss of customer trust. Furthermore, we may be subject to the risks associated with the price fluctuations of our raw materials. The prices of our raw materials fluctuate with market conditions and are subject to various factors beyond our control, such as supply and demand, inflation, and governmental regulations and policies. We do not engage in hedging activities related to the risk exposures in connection with the price of our raw materials and may face price fluctuations. There is no assurance that our cost of raw materials will not increase significantly in the future, and changes in the cost of raw materials could impact our operational costs and profit margins, further materially and adversely affecting our business, financial condition and results of operations.

If our products and inventories become obsolete, our business, financial condition and results of operations will be materially and adversely affected.

Our inventories comprised of finished goods, raw materials, and work in progress. We primarily engaged ODM/OEM providers to produce our products. In the commissioned processing model with these providers, we are responsible for the procurement of raw materials for color cosmetics, skincare products and packaging materials. We then supply these raw materials to ODM/OEM providers who are tasked with manufacturing and packaging the finished products. This resulted in longer inventory turnover days during the Track Record Period. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had inventories of

RISK FACTORS

RMB209.7 million, RMB299.5 million, RMB342.2 million, and RMB312.6 million, respectively, and the inventory turnover days during the same periods were 232.6 days, 320.6 days, 273.5 days, and 202.4 days, respectively. If the finished goods become unsalable, drop drastically in price, or if consumer demand shifts to which we may not respond effectively or timely, we may face the risk of a decline in the value of our inventories. In addition, failure to forecast consumer demand or any unexpected event affecting the sales of our products could result in increased inventory obsolescence, a decline in inventory value or inventory write-downs. In 2021, 2022 and 2023, we recorded write-down of inventories to net realizable values of RMB2.8 million, RMB2.2 million and RMB1.6 million, respectively. In the six months ended June 30, 2024, we recorded a reversal of write-down of inventories to net realizable values of RMB0.6 million. Procuring additional inventories may also require us to commit substantial working capital, preventing us from using such capital for other purposes. Any of the foregoing may materially and adversely affect our results of operations and financial condition.

We engaged third-party warehouses and logistics service providers to store and deliver our products. Any delivery delays, improper handling or increase in warehousing or transportation costs may adversely affect our business, financial condition and results of operations.

Our business operations involve the use of third-party warehouse and logistics services, over which we do not have direct control. Before delivery of products to our counters, stores and third-party distributors, we temporarily store them in warehouses leased by ourselves or owned by third-party warehouse service providers. We maintain or require third-party warehouse service providers to purchase property-related insurance that covers financial losses we may sustain as a result of accidents, including fires. However, if such accidents, including fires, were to occur, causing damages to the products we sell or our warehouses, our ability to supply products to our counters, stores and third-party distributors could be adversely affected. The occurrence of any of these incidents could also require us to make significant unanticipated expenditures and delay our delivery of products. Lost sales or increased costs that we may incur due to such disruption of operations and delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end-customers. If any one or more of the above risks were to materialize, our business, financial condition and results of operations may be materially and adversely affected.

In addition, our ability to deliver products directly from our warehousing centers to counters, stores and distributors in a timely and cost-effective manner is critical to our business. Any disruptions or inefficiencies in our logistics operations, whether due to operational issues, third-party logistics provider failures, or external factors such as regulatory changes or natural disasters, could impact our ability to meet customer demand and result in increased costs. We engage third-party logistics service providers to collect our products from warehouses and deliver them to counters, stores and distributors. Our dependence on third-party logistics providers could expose us to potential service disruptions or inefficiencies. If these providers fail to meet their service obligations due to operational issues, financial

RISK FACTORS

difficulties, or other unforeseen circumstances, it could impact our ability to deliver products to consumers in a timely and cost-effective manner, further causing declines in product sales and loss of revenue. In addition, improper handling of our products by the logistics service providers could also result in product contamination or damage, which could lead to product recalls, product liability claims, damage to our brand image and reputation, all of which could materially and adversely affect our business, financial condition and results of operations.

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

With the rising awareness of ESG issues, including with respect to packaging waste, greenhouse gas emissions and environmental protection, more stringent laws and regulations may be adopted. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us. See “Business — Environmental, Social and Corporate Governance.” We cannot assure you that these risk management measures can effectively mitigate the relevant risks and help us to navigate the regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business, results of operations and financial performance may be adversely affected.

Failure to accurately forecast market demand for our products and maintain an optimal inventory level may materially and adversely affect our business, financial condition and results of operations.

We need precise demand forecasting to ensure optimal inventory levels. Any inaccuracies in demand forecasting could lead to overstock or stockouts, both of which can result in increased costs and lost sales. The market demand for our products may be affected by period-to-period fluctuations, new product launches, changes in product cycles and pricing, product defects, promotions, and changes in consumer spending patterns and preferences. It may be difficult to accurately forecast demand and determine appropriate stock levels of products or raw materials, which could result in significant write-downs or increased costs to secure necessary production and delivery delays. Failure to effectively manage inventory or negotiate favorable credit terms with third-party manufacturers and suppliers can expose us to increased risks of inventory obsolescence, declining inventory values.

Failure to maintain competitive pricing strategies may have a material adverse effect on our business, financial condition and results of operations.

We aim to provide consumers with high-quality cosmetics products and experience. We determine our differentiated pricing strategy through comprehensive market research and competition, taking into account multiple factors and designing to cater to the diverse needs of our customer base and product range. See “Business — Pricing.” However, we cannot guarantee that we will consistently adopt a competitive pricing strategy for our products. If our

RISK FACTORS

market research yields inaccurate results that misalign our pricing strategy with market trends, we risk either diminishing profit margins by underpricing, or dampening sales volume and revenue by overpricing. Even if we initially price our products appropriately, we may need to offer significant discounts during major shopping events such as Double Eleven Day Shopping festival to enhance brand awareness and drive sales, or adjust prices as our products progress through their life cycles.

Any misconduct of our Directors, management, employees, distributors, customers, suppliers or other business partners may subject us to potential liability and negative publicity.

Our business operations and reputation may be influenced by the conduct of our Directors, management, employees, distributors, customers, suppliers or other business partners. Despite our efforts to implement stringent oversight mechanisms and ethical guidelines, it may not always be possible to prevent or detect misconduct by these parties. Any misconduct by these parties, including fraudulent activities, non-compliance with laws and regulations, unethical business practices, or any other actions that are inconsistent with our corporate policies and values, could result in legal proceedings, regulatory and other penalties, further damaging our reputation, eroding consumer trust and leading to loss of business, decreased market share and potential difficulties in attracting and retaining business partners.

Our delivery, return and exchange policies may subject us to additional costs and expenses, which may adversely impact our financial condition and results of operations.

We have adopted shipping policies that do not necessarily pass the full cost of shipping on to our consumers. Our product return policy allows products with defects to be returned and exchanged by our customers within a specified period. If we experience any deterioration in the quality of our products, we will incur higher costs associated with returns, exchanges and warranties. We have also adopted customer-friendly return and exchange policies that make it convenient and easy for customers to change their minds within seven days after completing direct online purchases from us. See “Business — Our Business — Customer Service.” We may also be required by law to adopt new or amend existing return, exchange and warranty policies. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customers, they also subject us to additional costs and expenses which we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new users at a desirable pace, which may materially and adversely affect our results of operations.

RISK FACTORS

We may not be able to adequately protect our intellectual property rights, and may be subject to intellectual property infringement claims.

Our success depends partially on our ability to obtain, maintain, and protect our intellectual property rights as well as our ability to operate without infringing on the intellectual property rights of others. We endeavor to protect our intellectual property rights through a combination of patents, trademarks, copyright, and trade secret laws, as well as contractual restrictions such as non-disclosure or confidentiality agreements. However, there can be no assurance that these protections will be sufficient. We may face challenges in preventing third parties from infringing upon or misappropriating our intellectual properties, such as our trade names, patents, copyrights and proprietary technologies. If we are unable to secure and enforce our intellectual property rights, our competitive position could be harmed, which may have a material and adverse effect on our business, financial condition and results of operations.

Moreover, we typically negotiate with these OEM/ODM providers in relation to the ownership of intellectual property rights. See “Business — Production and Supply Chain Management — Production.” Although we have taken measures to prevent disclosure of confidential information to third parties, we cannot assure that all OEM/ODM providers will comply with such requirement at all times. If any of our OEM/ODM providers are found to have disclosed such information to unauthorized third parties, we may incur substantial legal and financial costs. Additionally, any loss of trade secrets or unauthorized use of our proprietary information may limit our ability to compete in our market, potentially leading to a decline in our market share and revenue.

In addition, we cannot assure you that our business does not or would not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. As of the Latest Practicable Date, we were not involved in any material proceeding where a third party challenged the validity or enforceability of our patents that had or was expected to have any material impact on our business. However, if we are found to have violated the intellectual property rights of others in the future, we may be subject to liability claims which may result in significant licensing fees, legal fees and other expenses, or injunctions to develop or commercialize the related product. We may be legally required to expend significant resources to redesign our products so that they do not infringe on third parties’ intellectual property rights, or we may be required to obtain relevant licenses to avoid further infringements. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect our brand image, further materially and adversely affecting our business, financial condition and results of operations.

RISK FACTORS

Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties, and we may not be able to prevent the existence of counterfeit products on the market.

Our brands and products are integral to our market identity and consumer appeal. Despite our efforts to protect and enforce our intellectual property rights, there is a risk that third parties may manufacture and distribute counterfeit goods or imitations that infringe upon our trademarks, designs, patents, or other intellectual property rights. The availability of such counterfeit products on the market can lead to brand dilution, loss of revenue, and damage to our reputation, which in turn could have a material adverse effect on our business, financial condition, and results of operations.

We actively monitor the markets and may pursue legal action against the infringement of our intellectual property rights where feasible. However, the detection and prevention of counterfeit products are challenging. There is no assurance that our efforts will be sufficient to prevent the production and distribution of counterfeit or infringing products or that we will be able to obtain or enforce judgments against infringers. In addition, the costs associated with protecting our intellectual property rights may be substantial, and despite our efforts, there is a risk that we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Any failure to protect our intellectual property rights could negatively impact our competitive position and reduce the value of our brand and products.

Our sales volume may fluctuate due to seasonality.

Our results of operations are affected by seasonal fluctuations in demand for our products, which are primarily driven by consumer spending habits. Generally, during holidays such as the New Year, the Chinese New Year, Christmas and shopping festivals, we experience higher customer flow in our offline stores and receive a larger number of online orders, resulting in higher sales volume. As we believe that this pattern is likely to continue in the foreseeable future, quarterly comparisons of our operating results may not be useful and our results of operations in any particular period will not necessarily be indicative of the results of operations to be expected for any future period. Since these holidays and shopping events mainly occur in the first and fourth quarter of a year, our Company generally have higher revenue-earning capacities in these seasons. Going forward, our financial condition and results of operations may fluctuate due to seasonality as we continue to expand our sales network.

We are subject to credit risk in respect of our trade and bills receivables.

Our trade and bills receivables represent amounts due for goods sold in the ordinary course of business. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded trade and bills receivables of RMB110.9 million, RMB113.5 million, RMB157.7 million and RMB233.7 million, respectively, representing our maximum exposure as of the respective dates to credit risk in relation to trade and bills receivables. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our impairment on trade and bills receivables amounted to RMB4.7 million, RMB3.1 million, RMB1.8 million and RMB2.4 million, respectively.

RISK FACTORS

During the Track Record Period, we generally grant credit terms of 30 to 60 days to certain department stores and e-commerce platforms. However, there can be no assurance that the collection of amounts due from our customers will be timely. This might result in slow turnover of our trade and bills receivables and restrict our working capital resources. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the turnover days for our trade and bills receivables were 23.7, 23.2, 17.5 and 18.1 days, respectively. See “Financial Information — Discussion of Key Items of Consolidated Statements of Financial Position — Current Assets and Liabilities — Trade and Bills Receivables.” If we fail to receive payments from our customers on a timely basis, our cash flows and financial condition could be materially and adversely affected.

Any significant disruption to our information technology systems may interrupt our normal business operations.

Our business operations are supported by our information technology (“IT”) systems for various functions, including product sales, human resource management, membership management, financial reporting, e-commerce transactions via third-party platforms, management of makeup artistry training institutes and logistics. See “Business — Information Technology.” These systems are important for maintaining operational efficiency, data accuracy, and timely decision-making. However, our IT systems are subject to various risks, including system failures, data inaccuracies, cyber-attacks, data breaches, and other security incidents. Furthermore, our IT systems need to be regularly updated and upgraded to keep pace with technological advancements and changing business needs. These updates and upgrades may cause system disruptions or compatibility issues. These occasions could disrupt our operations, compromise our data, and result in significant remediation costs, legal liabilities, and reputational damage.

We also rely on third-party vendors for certain IT services. Any failure of these vendors to meet their service obligations could impact the performance of our IT systems. Furthermore, any breach of contract or termination of services by these vendors could result in disruptions to the operation of our IT systems, additional costs and time delays associated with transitioning to a new vendor. In addition, our IT systems are subject to various regulatory requirements related to data protection and privacy. See “Business — Data Privacy and Security.” Non-compliance with these requirements could result in legal penalties and reputational damage.

Any failure or perceived failure to comply with data privacy and security laws, or other concerns about our practices or policies with respect the collection, use, storage, retention, transfer, disclosure and other processing of data, could subject us to potential liabilities.

Our business operations involve the collection, use, storage, retention, transfer, disclosure, and other processing of data. See “Business — Data Privacy and Security.” Accordingly, our business operations are subject to various data privacy and security laws, such as PRC Data Security Law (《中華人民共和國數據安全法》), revised Cybersecurity

RISK FACTORS

Review Measures (《網絡安全審查辦法》), Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), Personal Information Protection Law (《中華人民共和國個人信息保護法》). See “Regulatory Overview — Regulations on Cybersecurity and Privacy.” We may become subject to additional regulatory requirements regarding data protection and data privacy, which may necessitate adjustments to our data framework and incur additional costs. Any failure or perceived failure to comply with data privacy and security laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data and cybersecurity, could subject us to potential liabilities, reputational damage, and loss of customer trust. In addition, our compliance costs and operational complexity may increase in line with our business expansion. Any failure to closely monitor the relevant regulatory evolutions could subject us to potential liabilities, further materially and adversely affecting our business, financial condition and results of operations.

Changes in laws and regulations applicable to our industry and business could affect our business operations.

The beauty industry in China is subject to comprehensive government regulation and supervision, which include strict policies that govern and encompass the approval, registration, production, packaging, licensing and marketing processes for the relevant products in the industry. Furthermore, new or more stringent laws, regulations or other regulatory measures may be introduced from time to time. See “Regulatory Overview — Regulations Relating to Cosmetics.” While we closely monitor the changes in the relevant laws and regulations and have implemented measures to ensure the continued compliance, the changes in the regulatory regime may materially and adversely affect our business, including: (i) increasing compliance costs and restrictions on the development or commercialization of our new product candidates; (ii) more stringent or diverse requirements on the production of our products; (iii) greater difficulties in obtaining relevant regulatory approvals; (iv) restricted initiatives in respect of scope, content and format, which may reduce the effectiveness of our marketing efforts; and (v) greater regulatory scrutiny on our business partners in their operations, such as the administration of products to consumers and the qualifications and licenses required for the entities and the relevant personnel, which may adversely affect their business and, subsequently, our operations.

Furthermore, we cannot assure you that our business partners will be always able to comply with the laws and regulations in a timely manner or at all, in which case we may have to terminate our collaboration with them. As a result, we may experience a decline in revenue, incur higher expenditures, and be subject to negative publicity, all of which will adversely affect our business, financial condition and results of operations.

RISK FACTORS

Failure to comply with applicable advertising laws and regulations when promoting our products may subject us to potential risks and penalties.

We advertise our brands and products through various online and offline channels, which are subject to applicable PRC laws and regulations. See “Business — Branding and Marketing.” Under PRC advertising laws and regulations, we are required to ensure that the contents of our advertisements are in full compliance with applicable laws and regulations. For example, the advertisements shall not present any false, inaccurate or misleading information about the products. Moreover, our marketing and promotion of cosmetics are subject to higher standards under PRC laws and regulations, such as the Advertising Law of the People’s Republic of China (《中華人民共和國廣告法》), the Measures for the Administration of Internet Advertisements (《互聯網廣告管理辦法》) and the Regulation on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》). If we are found to be in violation of any of such laws and regulations in the future, we may face administrative penalties, including fines, revocation of our business licenses and discontinuance of our advertising activities. Moreover, governmental actions and civil claims may be filed against us for misleading or inaccurate advertising or other illegal acts violating advertising laws or consumer rights.

Furthermore, if our employees or the third-party service providers we engage fail to comply with such laws and regulations, or the relevant government authorities, who have the legal right to exercise discretions in interpreting the laws and regulations, ultimately take a view that is inconsistent with our understanding in the process of administrative law enforcement, we may be subject to potential risks and penalties. We may have to spend significant resources in defending against such actions, and these actions may damage our reputation, result in reduced revenue, and negatively affect our results of operations.

We are subject to risks associated with reliance on certain KOLs for marketing activities and may be adversely affected by the evolving regulatory development on marketing activities carried out by KOLs.

We at times promote our products through collaboration with KOLs for marketing activities and special events. These KOLs play an important role in enhancing product visibility and brand recognition through various social media platforms by creating short videos, posts and livestreaming sessions. See “Business — Branding and Marketing.” We foster strategic collaboration with reputable KOLs in recognition of their influence in shaping consumer perceptions, preferences and purchasing decisions in the digital landscape. As such, we rely on the continued cooperation of these KOL agencies and the individual KOLs they manage. Any negative publicity involving these KOLs, or a deterioration in the relationships with these agencies, could adversely affect our brand’s reputation and marketing efforts. Additionally, changes in consumer behavior, shifts in the popularity of KOLs, or modifications in the regulatory landscape governing influencer marketing could diminish the effectiveness of our marketing strategies. During the Track Record Period and up to the Latest Practicable Date, there had been no material human errors, mistakes or intentional misconduct of the KOLs that we collaborated with.

RISK FACTORS

In addition, we cannot assure that our KOLs will remain compliant with applicable laws and regulations on marketing activities carried out by them. Any misconduct or deterioration of image by our KOLs, including inappropriate speech, unethical behavior, violation of laws and regulations or other negative publicity beyond our control would adversely impact our brand reputation and product sales. This could also result in additional expenses for disposing of packaging materials and removing marketing materials, and it may be challenging to find suitable candidates promptly. We may also initiate legal proceedings against KOLs for compensation, which could divert management's attention and incur additional litigation expenses. If any of these situations occur, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal control systems may not be adequate or effective.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations. See "Business — Risk Management and Internal Control." During the Track Record Period and up to the Latest Practicable Date, there had been no material internal control deficiencies, human errors, mistakes or intentional misconduct of the employees. However, due to the inherent limitations in the design and implementation of our risk management system, it may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place. Furthermore, our new business initiatives may give rise to additional risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management also depends on the effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected.

Our insurance coverage may be inadequate to protect us from the liabilities we may incur or cover all of our potential losses.

We maintain insurance coverage over our daily operations. See "Business — Insurance." We cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Any failure to obtain, maintain or renew the permits, licenses and certificates may adversely affect our business, financial condition and results of operations.

Our operations require multiple permits, licenses and certificates. Certain permits, licenses and certificates we hold are subject to periodic renewal. See “Business — Licenses, Permits and Approvals.” If we fail to maintain or renew one or more of our licenses and certificates when their current terms expire, or obtain such renewals in a timely manner, our operations could be disrupted. If we fail to properly renew and maintain any of such requisite licenses on time, we may face penalties. In addition, it might become increasingly onerous for us to comply with the changes in regulation, and any non-compliance may expose us to liability. In case of non-compliance, we may have to incur monetary expenses and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may adversely affect our business, financial condition and results of operations.

We offer makeup artistry training services at our Institutes of Makeup Artistry, which have been subject to a set of rules and requirements under applicable laws and regulations in the PRC alongside the development of the overall makeup training industry and its increasing popularity. See “Regulatory Overview – Regulations Relating to Private Education.” As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, our Institutes of Makeup Artistry had obtained the requisite licenses, permits, approvals and certificates under relevant laws, regulations, rules, and requirements of the competent local authorities in all material respects. However, the relevant local policies and regulations are intricate and vary by region, which may subject us to additional regulatory or policy requirements for new licenses and certifications and entail adjustments in our business model and practices. In the event that we are subject to any new regulatory requirements for licenses and certificates, we cannot guarantee that we would be able to obtain the required licenses or certificates in time, or at all, nor could we guarantee that we would be able to efficiently adjust our business model or practice in line with new regulatory or policy requirements. Any such failure could materially and adversely affect our makeup artistry training services, which could adversely affect our business, financial condition and results of operations.

We may be involved in lawsuits, claims, disputes, regulatory investigations or legal proceedings in our ordinary course of business.

From time to time, we may be involved in lawsuits, claims, disputes, regulatory investigations or legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, antitrust, and infringement of intellectual property rights. If we fail in defending against any such claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us, or brought against us, with or without merit, may result in substantial costs and diversion of resources and may materially harm our reputation. Furthermore, lawsuits, claims, disputes, regulatory investigations or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to

RISK FACTORS

indemnify us in a timely manner, or at all, for any costs that we incur as a result of such lawsuits, claims, disputes, regulatory investigations or legal proceedings. For details, see “Business — Legal Proceedings.”

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

As required by the PRC laws, a company that enters into an employment contract with an employee shall be the one to make the social insurance and housing provident fund contribution in full for the employee. During the Track Record Period, we engaged third-party human resource agencies to pay social insurance primarily because some of our employees working in different cities across the nation prefer their social insurance and housing provident funds to be paid at their respective resident places for convenience of utilizing such benefits locally. See “Business — Employees — Social Insurance and Housing Provident Funds.” Such arrangement, although not uncommon in China, is not in strict compliance with relevant PRC laws and regulations. As advised by our PRC Legal Advisor, pursuant to applicable PRC laws and regulations, we may be ordered to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts. If the third-party human resources agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure by paying full contributions to social insurance and housing provident funds for our employees. Any such event would materially and adversely affect our business, financial condition and results of operations.

In addition, during the Track Record Period, we did not make full contributions to social insurance and housing provident funds for certain employees. See “Business – Employees – Social Insurance and Housing Provident Funds.” The accumulated shortfall of social insurance and housing provident fund contributions amounted to approximately RMB7.8 million, RMB12.3 million, RMB16.8 million, and RMB18.3 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. In 2021, 2022, 2023 and the six months ended June 30, 2024, we made provisions of RMB4.0 million, RMB4.5 million, RMB4.5 million and RMB1.5 million, respectively, in respect of the estimated shortfall in social insurance plans and housing provident fund contributions. As of the Latest Practicable Date, we had not received any administrative penalty or rectification order imposed by competent authorities in PRC in terms of the social insurance plans and housing provident fund contributions. We cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future. We may be ordered by the relevant authorities to pay the overdue contributions within the prescribed period, failing which we may be subject to a penalty or subject to specific enforcement by the People’s Court. Any such order may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are subject to certain risks in relation to our properties.

As of the Latest Practicable Date, most of our self-operated counters, offices and warehouses are currently located at leased properties. The terms of these leases are subject to periodic renewal negotiations. There is no assurance that we will be able to renew our leases on commercially reasonable terms, or at all. A non-renewal or termination of any of our key property leases could necessitate relocation, which may result in substantial costs and could disrupt our operations. Furthermore, substantial increases in rental payments upon renewal of leases could adversely affect our profitability. While we endeavor to manage our rental costs effectively, there may be instances where we face rental hikes due to market conditions, which could materially and adversely impact our business, financial condition and results of operations.

As of the Latest Practicable Date, with respect to nine out of 109 of our leased properties in China, the lessors of such properties had not provided us with valid title certificates, or relevant proofs, evidencing the legality of the construction of the lease properties. See “Business — Properties — Leased Properties.” As advised by our PRC Legal Advisor, if the leased properties were deemed by competent government authorities as non-compliance under relevant PRC laws and regulations, we may be required to vacate from the relevant properties and relocate our self-operated counters and offices. In this event, our operation may be impaired, and we may not be adequately indemnified by the landlords for our related losses. Additionally, we will incur additional costs of approximately RMB0.6 million in relocating our offices and employee dormitories to other suitable locations, thus affecting our business and financial condition. Furthermore, in the event that any lessor’s right to lease was challenged by any party with third-party interests, or if some of our leased properties were challenged by competent government authorities because of the inconsistency between actual usage and prescribed usage in the title documents or due to the lack of construction completion that proves our ability to use, our occupation or lease of such properties is likely to be adversely affected. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material non-compliances due to inconsistencies between the actual usage and prescribed usage in the title documents or due to the lack of construction completion that proves our ability to use.

Under PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, 94 of our lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the registration of a lease agreement requires the cooperation between the lessor and lessee. See “Business — Properties — Leased Properties.” As lessors are typically unwilling to undertake the administrative burden due to the low risk of penalty, we were not able to complete the registration of lease agreements. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such lease agreements. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed within the prescribed timeframe. The aggregate amount of the maximum fine would be approximately RMB0.94 million, which we believe would not have a material adverse impact

RISK FACTORS

on our business, financial condition and results of operations. However, in the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. In addition, we have obtained a parcel of land from the local government authority, for which we have obtained the land use right certificate and were in the progress of constructing headquarter as of the Latest Practicable Date. For this parcel of land, we also entered into an investment and development agreement with the local governmental authority in January 2024, pursuant to which we agreed to use this parcel of land for the construction of our headquarters and to commence and complete construction within the agreed-upon timeframe. We are also subject to certain requirements in terms of total investment amount, annual revenue, annual tax, and share capital, among others. Notwithstanding our current compliance with the payment schedule and development obligations, potential risks may arise from various factors, including unforeseen delays or impediments in construction, which could result in failure to meet the requirements stipulated in the investment and development agreement and lead to remedial actions, financial penalties, or, in extreme cases, the termination of the agreement by the local governmental authority. Any of the foregoing events could have a material and adverse effect on our business, financial condition and results of operations.

We may not be successful in implementing our expansion strategies.

We have strategic plans to enhance our presence in China's beauty market and expand into overseas markets, as well as optimize and expand our sales channels. See "Business — Our Strategies — Strengthening Global Brand Presence and Overseas Market Penetration." However, the successful implementation of our expansion strategies requires significant resources and management attention and exposes us to additional regulatory, economic and political risks and challenges, including those in:

- establishing a localized operational infrastructure cost-effectively, encompassing product design and development, production, marketing and sales, logistics service and customer service;
- managing fluctuations in the cost of input materials and disruptions in global supply chains;
- ensuring continuing compliance with laws and regulations of applicable jurisdictions;
- customizing and localizing our products to respond to diverse consumer needs across markets;
- promoting our brands and products in a manner that resonates with the local market;
- securing intellectual property protection across markets and jurisdictions;
- handling increased competition from local providers of similar products;

RISK FACTORS

- navigating tariffs and other non-tariff barriers, such as quotas and local content rules;
- protecting and enforcing intellectual property rights abroad;
- varying levels of internet technology adoption and infrastructure, and increased or varying network and hosting service provider costs;
- adjusting to fluctuations in currency exchange rates and complying with currency control regulations; and
- responding to significant changes in political, social and economic conditions that could impact our operations.

We cannot assure you that we will successfully expand into the target markets. In addition, we may incur significant expenses as a result of our international expansion. Failure to successfully manage these risks could subject us to significant costs that we cannot recover, which could compromise our existing competitive position and materially adversely affect our business, financial condition and results of operations.

Our acquisition and investment activities and other strategic transactions may present managerial, integration, operational and financial risks, which may prevent us from realizing the full intended benefit of the acquisitions we undertake.

We may in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to control or monitor their actions, and to the extent strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing business. Any acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could adversely affect our business. Acquired assets or businesses may not generate the financial or results of operations we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the incurrence of debt, the incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business.

RISK FACTORS

Our failure to address these risks or other problems encountered in connection with our future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and expenses and harm our business generally. If we use our equity securities to pay for acquisitions or investments, we may dilute the value of our Shares. If we borrow funds to finance acquisitions or investments, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Such acquisitions and investments may also lead to significant amortization expenses related to intangible assets, impairment charges or write-offs. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from the government authorities for the acquisitions and comply with applicable laws and regulations, which could result in increased costs and delays.

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

During the Track Record Period, we benefited from certain government grants. During the Track Record Period, the government grants mainly included subsidies and financial assistance in relation to our contributions to the local economy. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we received government grants of RMB12.8 million, RMB16.3 million, RMB25.1 million, RMB24.5 million and RMB48.0 million, respectively.

In addition, some of our subsidiaries are entitled to preferential tax treatment. See “Financial Information — Description of Major Components of our Results of Operations — Income Tax Expense — PRC.” Preferential tax treatments granted to us by PRC governmental authorities are subject to review and may be adjusted or revoked at any time in the future. We cannot guarantee that the preferential tax treatments to which our PRC subsidiaries are currently entitled will be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments. The discontinuation of any of our current tax treatments could materially increase our tax obligations and adversely impact our net income.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases may materially and adversely affect our business, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, health epidemics and pandemics such as SARS, Ebola, Zika or COVID-19, acts of war, terrorism or other force majeure events, which may disrupt our supply chain, damage infrastructure, and hinder workforce productivity. Natural disasters such as snowstorms, earthquakes, fires, and floods can cause physical damage to our production facilities, equipment, and inventory which could result in production delays, inventory shortages and obsolete, which could increase our impairment and costs for repairs and replacements. Additionally, these events can lead to power outages, communication interruptions, and transportation disruptions, further hampering business operations.

RISK FACTORS

Widespread health epidemics, such as the COVID-19 pandemic, can have a profound impact on our supply chain, particularly in terms of importing raw materials, warehousing, and delivery. Restrictions on travel and trade imposed during such events can disrupt the flow of goods and materials, leading to delays in receiving essential inputs for production. This can result in inventory shortages, production bottlenecks, and increased costs for alternative suppliers or pay higher prices for scarce materials, which may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRY WHERE WE OPERATE

Changes in the economic, political or social conditions or government policies in the country where we operate could affect our business, financial condition and results of operations.

Our business, financial condition and results of operations may be influenced by the general political, economic and social conditions in the country where we operate. Governments worldwide have implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. The beauty industry in general is affected by macro-economic factors, including international, national, regional and local economic conditions, trade relationships, employment levels, consumer demand and discretionary spending. Any changes in these factors may have material and adverse effect on our business, financial condition and results of operations.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with overseas offerings and future capital raising activities.

As the PRC laws and regulations in relation to overseas issuance and listing of shares develop, we may be required to make filings with or report to CSRC or other PRC regulatory authorities for our future capital raising activities. On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Trial Measures”) and their implementation guidelines. The Trial Measures, which came into effect on March 31, 2023, mainly provide the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. For more details, see “Regulatory Overview — Regulations and Laws Relating to Overseas Securities Offering and Listing.”

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “Archives Rules”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering

RISK FACTORS

and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. Any failure to comply with Archives Rules may materially affect our business, results of operations or financial conditions.

We are closely monitoring how they will affect our operations and our future financing. In addition, if the CSRC or other PRC regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for this offering or future capital raising activities, there can be no assurance that we will be able to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any unforeseen situations or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our Shares.

You should assess the legal protections you are entitled to under legal system in China.

We are subject to the different applicable laws and regulations of the countries and regions where we operate. Our business and operations in China are subject to primarily written statutes, and prior court decisions offer limited precedential value. Furthermore, we cannot assure you that we can predict the effect of future legal developments in countries and regions where we operate, including the promulgation of new laws and changes in existing laws. In addition, lengthy legal proceedings may incur significant costs, divert our resources, and negatively affect our management's focus on strategic planning and execution, which may materially and adversely impact our operational efficiency and overall business performance.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC and all our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management resides within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, it may be difficult and time-consuming to effect service of process upon our Directors, Supervisors and senior management outside the PRC. In addition, investors may also experience difficulties in enforcing judgments if there is a lack of reciprocal recognition and enforcement of judicial rulings and awards of other jurisdictions.

RISK FACTORS

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our business, financial performance and results of operations.

Holders of our H Shares may be subject to PRC income tax obligations.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax issued by the MOF and SAT (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprises are exempted from individual income tax for the time being. According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the STA (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) effective as of March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cease foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. Considering the situations, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

RISK FACTORS

Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may affect our business, financial condition and results of operations.

As we seek to expand our global footprint, our business operations and financial performance may be influenced by international trade policies, geopolitics, trade protection measures, export controls, and economic or trade sanctions. International trade policies and geopolitics are subject to frequent changes and uncertainties, often driven by political, economic, and social factors beyond our control. These changes could impact trade agreements, tariffs, customs duties, and other aspects of international trade, potentially increasing our operational costs and affecting our market access. Changes in trade protection measures, such as anti-dumping duties, countervailing duties, or safeguard measures, could lead to increased costs or restrictions on our exports. Export controls and economic or trade sanctions could limit our ability to export our products or conduct business in certain markets. Any non-compliance with these controls and sanctions could result in legal penalties, reputational damage, and loss of export privileges.

Failure to comply with the PRC anti-corruption laws, regulations and rules could subject us and/or our employees to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, financial condition or results of operations.

We have adopted policies and procedures designed to ensure that our employees comply with the applicable PRC anti-corruption laws, rules and regulations. See “Business — Risk Management and Internal Control.” There can be no assurance that the anti-corruption internal controls and procedures we have established will effectively prevent our non-compliance with the PRC anti-corruption laws, regulations and rules arising from actions taken by the individual employees without our knowledge. If this occurs, we and/or our relevant employees may be subject to investigations and administrative or criminal penalties, and our reputation could be harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition and results of operations.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or SAFE Circular 7, replacing the previous rules issued by the SAFE in March 2007. Under SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified

RISK FACTORS

institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. In addition, the Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with the SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares are subject to these regulations. Failure to complete SAFE registrations may subject us or them to fines and legal sanctions and could restrict our ability to adopt additional incentive plans for our employees under PRC law.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent government authorities.

We are subject to the currency exchange regulatory system.

The PRC government imposes supervision on the convertibility of RMB into foreign currencies. We receive the vast majority of our revenue in RMB. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency denominated obligations. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

There was no public market for our H Shares prior to the Global Offering. There can be no guarantee that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us, which may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares may be materially and adversely affected.

The liquidity, trading volume and market price of our H Shares following the Global Offering may be volatile, which could result in substantial losses to you.

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. A number of Mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards Mainland China-based companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the Global Offering may be significantly affected. These factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material and adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any

RISK FACTORS

future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution of their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you that we will declare and distribute any amount of dividends in the future. If we do not pay dividends in the foreseeable future after the Listing, you must rely on price appreciation of our Shares for a return on your investment.

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

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

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

You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand

RISK FACTORS

our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Our Controlling Shareholders have substantial influence over our Company, and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the Global Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, our Controlling Shareholders will be interested in 48.68% of the issued share capital of our Company. This concentration of ownership may discourage, delay, or prevent a change in control of our Company, potentially depriving other shareholders of the opportunity to receive a premium for their Shares in the event of a sale. It could also potentially lower the price of our Shares. These circumstances may occur even if opposed by other shareholders. Additionally, the interests of our Controlling Shareholders may differ from those of our other shareholders. It is possible that our Controlling Shareholders may use their significant influence to engage in transactions or make decisions that conflict with the best interests of our other shareholders.

Certain facts, forecasts and other statistics contained in this prospectus are derived from a third-party report and publicly available official sources.

Certain facts, forecasts and statistics in this prospectus relating to the PRC and global economy and the industry in which we operate are obtained from official government publications or publicly available sources that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by our Group, the Sole Sponsor or any other party involved in the Global Offering and no representation is given as to its accuracy or completeness. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the PRC and the global economy and the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

RISK FACTORS

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to the completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our H Shares. In making decisions as to whether to invest in our H Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

Our headquarters are based, and most of the business operations of our Company and our subsidiaries are managed and conducted, in the PRC. Our executive Directors ordinarily reside in the PRC and they play important roles in our Company's business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

1. we have appointed Ms. MAO Niping (毛霓萍) and Ms. ZHANG Xiao (張瀟) as our authorized representatives ("**Authorized Representatives**") pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;
2. when the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

3. all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;
4. we have appointed Rainbow Capital (HK) Limited as our Compliance Advisor upon Listing pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide our Company with professional advice on continuing obligations under the Listing Rules and act as the additional channel of communication with the Hong Kong Stock Exchange during the period from the Listing Date to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after the Listing; and
5. meetings between the Hong Kong Stock Exchange and our Directors could be arranged through our Authorized Representatives or the Compliance Advisor, or directly with our Directors within a reasonable period. Our Company will inform the Hong Kong Stock Exchange as soon as practicable in respect of any change in the Authorized Representatives, the Directors and/or the Compliance Advisor of our Company in accordance with the Listing Rules.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the “relevant experience” of the individual:

- (a) length of employment with the issuer and other issuers and the roles he/she played;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time but in any event not exceeding three years from the date of listing and on the following conditions: (i) the relevant company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as joint company secretary throughout the waiver period; and (ii) the waiver can be revoked in the event of a material breach of the Listing Rules by the Company.

We have appointed Mr. DONG Leqin (董樂勤) (“**Mr. Dong**”) and Ms. ZHANG Xiao (張瀟) (“**Ms. Zhang**”) as the joint company secretaries of our Company. Ms. Zhang, an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules. Mr. Dong has served as the secretary of the Board and head of legal department of our Company since December 2014 and has been responsible for the overall legal affairs and day-to-day management of our Company since then. Mr. Dong obtained the legal professional qualification certificate issued by the Ministry of Justice of the PRC in February 2009. Through such experiences, Mr. Dong has acquired extensive expertise in handling legal, corporate and regulatory compliance and administrative matters. See “Directors, Supervisors and Senior Management — Joint Company Secretaries” in this prospectus for further information regarding the qualifications of Mr. Dong and Ms. Zhang. By virtue of Mr. Dong’s experience and familiarity with our Company, we believe he is capable of discharging the duties as one of the joint company secretaries and is suitable to act in this capacity. Furthermore, given that the main operations of our Company are located in the PRC, we believe that it would be in the best interests of our Company and our corporate governance to have Mr. Dong, who possesses the relevant background and experience in the PRC, to act as our joint company secretary.

Accordingly, whilst Mr. Dong does not possess the formal qualifications required of a company secretary as required under Rules 3.28 and 8.17 of the Listing Rules, based on the above reasons, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Dong will be appointed as our joint company secretary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The waiver was granted for a three-year period commencing from the Listing Date (the “**Waiver Period**”), on the condition that Ms. Zhang, as a joint company secretary of our Company, will work closely with, and provide assistance to Mr. Dong, in the discharge of his duties as a joint company secretary for an initial period of three years from the Listing Date. Ms. Zhang is a suitably qualified person to render assistance to Mr. Dong so as to enable him to acquire the relevant experience required of a company secretary under Rule 3.28 of the Listing Rules. In addition, Mr. Dong will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the Waiver Period. Our Company will further ensure that Mr. Dong has access to the relevant training and support that would strengthen his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Hong Kong Stock Exchange.

Before the end of the three-year period, the qualifications and experience of Mr. Dong and the need for on-going assistance of Ms. Zhang will be further evaluated by our Company. We will demonstrate Mr. Dong, having benefited from the assistance of Ms. Zhang for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into and are expected to continue with certain transactions after the Listing which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted us, waivers in relation to continuing connected transaction between us and our connected person under Chapter 14A of the Listing Rules. See “Connected Transactions — Non-Exempt Continuing Connected Transaction.”

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that there must be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer’s listed securities shall be maintained. Generally, at least 25% of an issuer’s total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to the following conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK\$10 billion:

- (a) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;
- (b) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and
- (d) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

Based on the minimum Offer Price of HK\$26.30 per H Share and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the Company expects that its market capitalization at the time of the Listing will be higher than HK\$10 billion.

Accordingly, we have applied to the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules to grant, and the Stock Exchange has granted, a waiver from strict compliance with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules so that the minimum public float of our Company will be the higher of (a) 18.70%, being the percentage of H Shares held by the public upon completion of the Global Offering (assuming the Conversion of Unlisted Shares into H Shares is completed); and (b) such percentage of H Shares to be held by the public upon any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option (assuming the Conversion of Unlisted Shares into H Shares is completed), provided that the higher of (a) and (b) remains below the minimum public float requirement of 25% under Rule 8.08(1) of the Listing Rules.

In support for the application of the waiver, we have confirmed to the Stock Exchange that:

- (a) we will have an expected market capitalization at the time of Listing of over HK\$10 billion;
- (b) there will be an open market in the H Shares offered, and the quantity and scale of the H Shares would enable the market to operate properly with a lower percentage of public float;
- (c) we will make appropriate disclosure of the lower prescribed percentage of public float as approved by the Stock Exchange in this prospectus;
- (d) we will implement appropriate measures and mechanisms to ensure continuous maintenance of the minimum public float prescribed by the Stock Exchange; and
- (e) we will confirm sufficiency of public float in our successive annual reports after the Listing.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

FILING PROCEDURES WITH THE CSRC

Our filing procedures with the CSRC for the submission of the application to list our H Shares on the Hong Kong Stock Exchange and for the Global Offering were completed on November 7, 2024. In completing such filing, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus. No other filings in the PRC are required to be completed for the listing of the H Shares on the Hong Kong Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 7,058,900 Offer Shares and the International Offering of initially 63,529,300 Offer Shares (subject, in each, to the Offer Size Adjustment Option and reallocation on the basis as set out in “Structure of the Global Offering” in this prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Offer Size Adjustment Option, the Over-allotment Option and stabilization, see “Structure of the Global Offering.”

INFORMATION ON THE CONVERSION OF UNLISTED SHARES INTO H SHARES

The Company has applied for the conversion of 171,655,400 Unlisted Shares (immediately following the Share Subdivision) into H Shares. Please refer to “Share Capital” for details of the aforementioned Shareholders and their interests in the Company and relevant procedures for the Conversion of Unlisted Shares into H Shares. Such H Shares to be converted from Unlisted Shares are restricted from trading for a period of one year after the Listing.

The Conversion of Unlisted Shares into H Shares has been approved by the CSRC on November 7, 2024 and the listing and trading of the H shares converted on the Hong Kong Stock Exchange is still subject to the approval by the Hong Kong Stock Exchange.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares outside Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

UNDERWRITING

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement and the agreement on the Offer Price between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date. For further details on the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and (ii) the H Shares to be converted from our existing Unlisted Shares. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, December 10, 2024. No part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted in to CCASS. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering and converted from our Unlisted Shares will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

According to the Guide to the Program for "Full Circulation" of H shares promulgated by China Securities Depository and Clearing Corporation Limited ("CSDC") on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his/her behalf with each of our Directors, Supervisors, senior officers whereby such Directors, Supervisors, senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates of any of the Directors, Supervisors or an existing Shareholder of the Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages, the Chinese version of these names shall prevail in the event of any inconsistency.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.9244, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB7.1942 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.7826.

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For further information on our Directors and Supervisors, please refer to the section headed “Directors, Supervisors and Senior Management” of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. MAO Geping (毛戈平)	Room 4502, Unit 1, Dikai Jinzuo Shangcheng District Hangzhou, Zhejiang PRC	Chinese
Ms. WANG Liqun (汪立群)	Room 4502, Unit 1, Dikai Jinzuo Shangcheng District Hangzhou, Zhejiang PRC	Chinese
Ms. MAO Niping (毛霓萍)	Room 2201, Unit 1, Building 2 Yuefu, Shangcheng District Hangzhou, Zhejiang PRC	Chinese
Ms. MAO Huiping (毛慧萍)	Room 2702, Unit 1, Dikai Jinzuo Shangcheng District Hangzhou, Zhejiang PRC	Chinese
Mr. WANG Lihua (汪立華)	B-2-60, Shuijing Lanxuan Binsheng Road, Binjiang District Hangzhou, Zhejiang PRC	Chinese
Ms. SONG Hongquan (宋虹全)	Room 1401, Building 12 Blue Qianjiang Shangcheng District Hangzhou, Zhejiang PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
-------------	----------------	--------------------

Independent non-executive Directors

Mr. GU Jiong (顧炯)	A28-2, No. 3333 Hongmei Road Minhang District Shanghai PRC	Chinese
Mr. HUANG Hui (黃輝)	Unit 10A, University Residence 12 Chinese University of Hong Kong Shatin, New Territories Hong Kong	Chinese
Mr. LI Hailong (李海龍)	Unit 1901, Building 1-2 Zhonghai Yunchen Binjiang District Hangzhou, Zhejiang PRC	Chinese

SUPERVISORS

Name	Address	Nationality
-------------	----------------	--------------------

Ms. GAO Yan (高妍)	Room 1901, Building 6-2 Binjiang Jiapinmeiyu No. 915 Yangfan Road Xiaoshan District Hangzhou, Zhejiang PRC	Chinese
Mr. YANG Weiqing (羊偉青)	Room 401, Unit 3, Building 7 Huandong Road, Guangsha Tianducheng Xingqiao Street Yuhang District Hangzhou, Zhejiang PRC	Chinese
Ms. WU Meijuan (吳美娟)	Room 101, Building 7-3 Sanshuiyisheng Jiayuan Yiqiao Town Xiaoshan District Hangzhou, Zhejiang PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING**Sole Sponsor**

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Sole Overall Coordinator

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Joint Global Coordinators

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**China Galaxy International Securities
(Hong Kong) Co., Limited**
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

**Huatai Financial Holdings (Hong Kong)
Limited**
62/F, The Center
99 Queen's Road Central
Hong Kong

**Guotai Junan Securities (Hong Kong)
Limited**
26/F-28/F, Low Block,
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Bookrunners

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**China Galaxy International Securities
(Hong Kong) Co., Limited**
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

**Huatai Financial Holdings (Hong Kong)
Limited**
62/F, The Center
99 Queen's Road Central
Hong Kong

**Guotai Junan Securities (Hong Kong)
Limited**
26/F-28/F, Low Block,
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Joint Lead Managers

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**China Galaxy International Securities
(Hong Kong) Co., Limited**
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

**Huatai Financial Holdings (Hong Kong)
Limited**
62/F, The Center
99 Queen's Road Central
Hong Kong

**Guotai Junan Securities (Hong Kong)
Limited**
26/F-28/F, Low Block,
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, 308 Central Des Voeux
308 Des Voeux Road Central
Hong Kong

**Futu Securities International (Hong
Kong) Limited**
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Capital Market Intermediaries

Livermore Holdings Limited

Unit 1214A, 12/F, Tower II,
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**China Galaxy International Securities
(Hong Kong) Co., Limited**

20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

**Huatai Financial Holdings (Hong Kong)
Limited**

62/F, The Center
99 Queen's Road Central
Hong Kong

**Guotai Junan Securities (Hong Kong)
Limited**

26/F-28/F, Low Block,
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Tiger Brokers (HK) Global Limited

1/F, 308 Central Des Voeux
308 Des Voeux Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited

34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Livermore Holdings Limited

Unit 1214A, 12/F, Tower II,
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Auditor and Reporting Accountant

Ernst & Young

Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Legal Advisors to the Company

As to Hong Kong and U.S. laws:

Clifford Chance

27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng

34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing
PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Sole Sponsor and
the Underwriters**

As to Hong Kong and U.S. laws:

Paul Hastings

22/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

As to PRC law:

Tian Yuan Law Firm

Unit 509 Tower A, Corporation Square 35
Financial Street, Xicheng District
Beijing
PRC

Industry Consultant**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**

2504 Wheelock Square
1717 Nanjing West Road
Shanghai, PRC

Independent Property Valuer**Jones Lang LaSalle Corporate
Appraisal and Advisory Limited**

7th Floor, One Taikoo Place
979 King's Road, Hong Kong

Receiving Bank**Bank of China (Hong Kong) Limited**

1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	Room 1001, Wanyin Building Shangcheng District Hangzhou, Zhejiang PRC
Headquarters and Principal Place of Business in the PRC	Room 1001, Wanyin Building Shangcheng District Hangzhou, Zhejiang PRC
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	<u>www.maogeping.com</u> <i>(The information on the website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. DONG Leqin Room 501, Building 5-1 Yurun Qianchao Mansion, Qianchao Road Shangcheng District Hangzhou, Zhejiang PRC Ms. ZHANG Xiao <i>(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Ms. MAO Niping Room 2201, Unit 1, Building 2 Yuefu, Shangcheng District Hangzhou, Zhejiang PRC

CORPORATE INFORMATION

	<p>Ms. ZHANG Xiao 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong</p>
Audit Committee	<p>Mr. GU Jiong (<i>Chairperson</i>) Mr. HUANG Hui Mr. LI Hailong</p>
Nomination Committee	<p>Mr. MAO Geping Ms. MAO Niping Mr. GU Jiong Mr. HUANG Hui Mr. LI Hailong (<i>Chairperson</i>)</p>
Remuneration Committee	<p>Mr. MAO Geping Ms. MAO Huiping Mr. GU Jiong Mr. HUANG Hui Mr. LI Hailong (<i>Chairperson</i>)</p>
Compliance Advisor	<p>Rainbow Capital (HK) Limited Office No. 710, 7/F Wing On House 71 Des Voeux Road Central Central Hong Kong</p>
H Share Registrar	<p>Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong</p>
Principal Bank	<p>China Minsheng Bank Hangzhou Qiantang Branch No. 280-1, Jianguo South Road Shangcheng District Hangzhou, Zhejiang PRC</p>

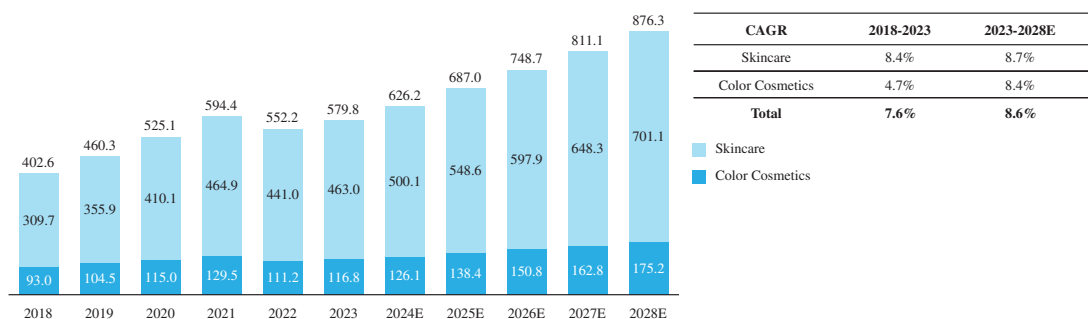
INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the “Frost & Sullivan Report”). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective affiliates and advisors, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

OVERVIEW OF BEAUTY INDUSTRY IN CHINA BY PRODUCT CATEGORY

According to Frost & Sullivan, cosmetics products can be divided into five categories: skincare, personal care, color cosmetics, perfume and others. Beauty products refer to cosmetics that can improve the condition of the skin and emphasize or alter the appearance of the face or body, mainly including skincare products and color cosmetics products. According to Frost & Sullivan, the market size of the beauty industry in China, in terms of retail sales, grew from RMB402.6 billion in 2018 to RMB579.8 billion in 2023, representing a CAGR of 7.6%. This growth is expected to continue at a CAGR of 8.6% from 2023 to 2028, and the market size is expected to reach RMB876.3 billion by 2028. The following chart presents the historical and projected market size of China’s beauty industry by product category in terms of retail sales from 2018 to 2028:

**Market Size of Beauty Industry in China by Retail Sales, Breakdown
by Product Category RMB in Billions, 2018-2028E**



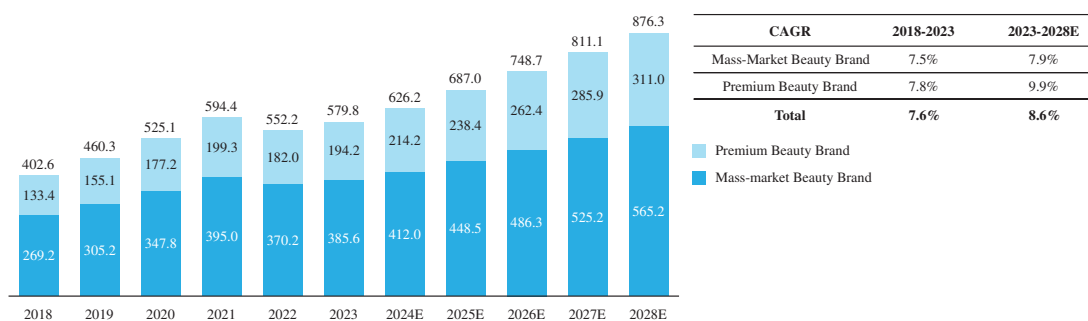
Source: Frost & Sullivan

INDUSTRY OVERVIEW

OVERVIEW OF THE BEAUTY INDUSTRY IN CHINA BY BRAND POSITIONING

Premium brands are positioned to meet the demands for prestige, high quality and exclusivity, through perceived-value products. Premium brands often command an ultra-price range that the unit price is at least 50% higher than the industry average, and their products are selectively distributed, typically found in premium department stores. These premium brands have a distinguished brand image with a focus on uniqueness, aesthetics and lifestyle. The majority of leading premium beauty brands were founded by celebrities or artists who use their names as brand names. Mass-market brands are generally committed to offering products with high price performance to consumers. Mass-market brands usually command an affordable price. They often have broader distribution channels. According to Frost & Sullivan, the market size of premium beauty brands in China, in terms of retail sales, grew rapidly from RMB133.4 billion in 2018 to RMB194.2 billion in 2023 with a CAGR of 7.8%, and is expected to further grow at a CAGR of 9.9% to reach RMB311.0 billion by 2028. The following chart presents the historical and projected market size of China's beauty industry by brand positioning in terms of retail sales from 2018 to 2028:

**Market Size of China's Beauty Industry, Breakdown
by Brand Positioning RMB in Billions, 2018-2028E**



Source: Frost & Sullivan

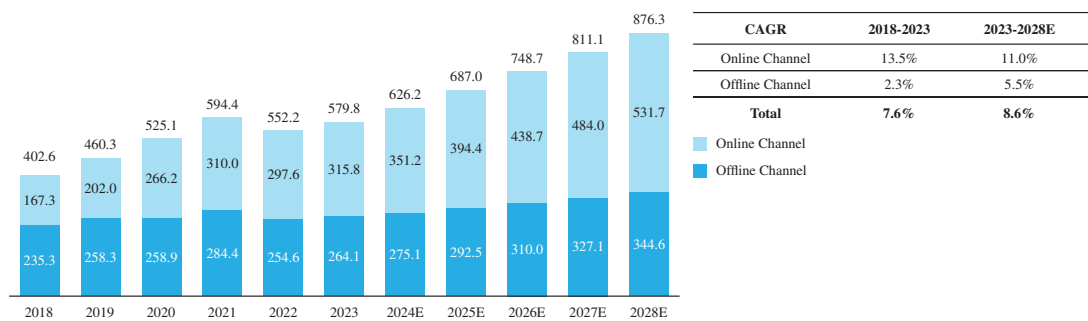
OVERVIEW OF THE BEAUTY INDUSTRY IN CHINA BY SALES CHANNEL

Beauty products in China are distributed through both online and offline channels. Driven by the value of consumer experience and brand building, offline sales maintained solid growth. According to Frost & Sullivan, the retail sales of beauty products through offline channels grew from RMB235.3 billion in 2018 to RMB264.1 billion in 2023 with a CAGR of 2.3%. The restrictive measures imposed a significant challenge for offline channels during the pandemic period, resulting in a sharp fall in offline channel sales during this period. With the resumption of social activities and the release of consumer enthusiasm, offline channels will continue to recover and maintain sustained and stable development in the future. Online sales channels have maintained rapid growth in recent years. Online channels rely less on physical stores, thus were less affected during the pandemic. In the future, online channels will continue to maintain a high growth rate. The market size of beauty products through offline channels is

INDUSTRY OVERVIEW

expected to further grow at a CAGR of 5.5% to reach RMB344.6 billion by 2028. The following chart presents the historical and projected market size of China's beauty industry by sales channel in terms of retail sales from 2018 to 2028:

Market Size of Beauty Industry in China by Retail Sales, Breakdown by Sales Channel RMB in Billions, 2018-2028E



Source: Frost & Sullivan

Offline channels mainly include the department store segment, cosmetics specialty store segment, supermarket segment and other offline channels. Other offline channels mainly include pharmacies and duty-free stores. The department store segment of offline channels refers to a retail establishment offering a wide range of mid to high-end consumer goods in different areas of the store, which is an important part of offline channels. The department store segment can not only meet the needs of consumers for shopping consumption, but also provide customers with premium consumption experience and spread brand concepts through exquisite space display and professional consulting services. The influence accumulated by beauty brands in offline channels can further empower online sales.

Online channels mainly include integrated e-commerce platforms, emerging e-commerce platforms and other online channels. Representative examples of integrated e-commerce platforms are Tmall and JD.com, and representative examples of emerging e-commerce platforms are Douyin and Kuaishou. Other online channels mainly include official websites of brand owners, and cross-border e-commerce platforms.

COMPREHENSIVE ANALYSIS OF THE COLOR COSMETICS MARKET IN CHINA

Color cosmetics refer to the products that can emphasize or alter the appearance of the face or body. Color cosmetics accounted for approximately 20% of the beauty industry in terms of retail sales in 2023. The color cosmetics market in China is undergoing a dynamic transformation, fueled by an escalating demand for beauty enhancements and the pervasive influence of makeup and skincare concepts disseminated through social media. This trend has not only increased makeup usage among consumers but has also driven the industry towards catering to more sophisticated consumer needs, diverse aesthetics, and a deeper professional understanding of beauty products. These factors collectively contribute to a diversified and

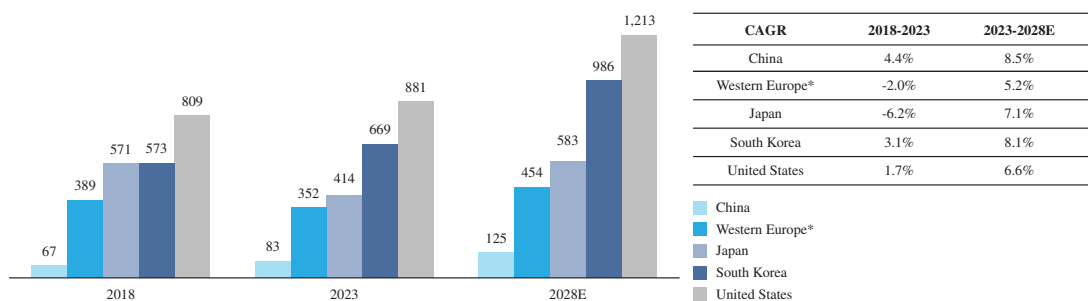
INDUSTRY OVERVIEW

enriched product range, leading to significant market growth. The market size of the color cosmetics market in China, in terms of retail sales, grew from RMB93.0 billion in 2018 to RMB116.8 billion in 2023, representing a CAGR of 4.7%. Due to the reduced demand for makeup during the pandemic, the overall market size of the makeup market declined in 2022 with a growth rate of -14.1%, resulting in a lower growth rate over the past five years. The market size of the color cosmetics market is expected to further grow at a CAGR of 8.4% to reach RMB175.2 billion in 2028, according to Frost & Sullivan.

Per Capita Expenditure on Color Cosmetics

In 2023, the per capita expenditure on color cosmetics in China was RMB83, compared to RMB881, RMB669, RMB414 and RMB352 in the United States, South Korea, Japan and Western Europe, respectively, according to Frost & Sullivan. However, driven by the potential growth of disposable income, the growth potential of per capita expenditure on color cosmetics in China is still very large, the per capita expenditure on color cosmetics products in China increased at a CAGR of 4.4% from 2018 to 2023, and is expected to further increase at a CAGR of 8.5%, which is higher than that of the United States, South Korea, Japan and Western Europe. The following chart sets forth per capita expenditure on color cosmetics of selected countries:

**Per Capita Expenditure on Color Cosmetics of Selected Countries
in RMB, 2018/2023/2028E**



Source: National Bureau of Statistics, Frost & Sullivan

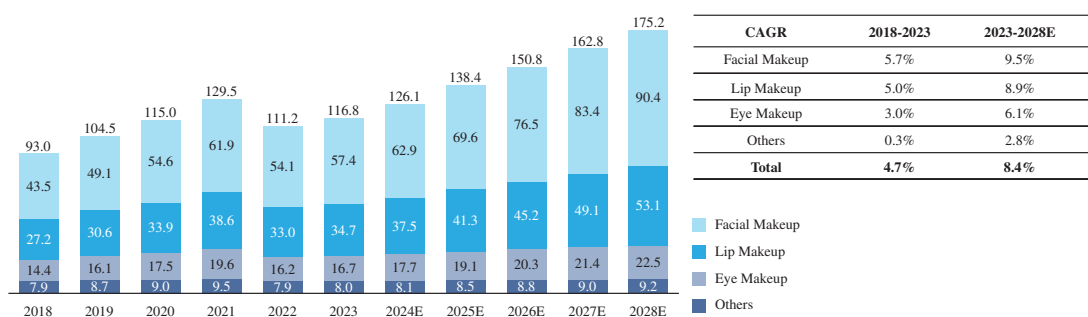
Note: Western Europe includes Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

INDUSTRY OVERVIEW

Color Cosmetics Market in China by Product Category

The color cosmetics market in China mainly consists of the facial makeup, lip makeup and eye makeup segments. The facial makeup segment is the largest part of the color cosmetics market and has the highest growth rate. The market size of facial makeup products in terms of retail sales increased from RMB43.5 billion in 2018 to RMB57.4 billion in 2023 with a CAGR of 5.7%, according to Frost & Sullivan. With the accumulation of consumers' beauty experience and the pursuit of delicate makeup, consumers' demand for facial makeup products has increased, which has led to the growth of the facial product segment. The market size of facial makeup products in terms of retail sales is expected to grow at a CAGR of 9.5% to reach RMB90.4 billion by 2028, according to Frost & Sullivan. The following chart presents the historical and projected market size of China's color cosmetics market by product category in terms of retail sales from 2018 to 2028:

**Market Size of China's Color Cosmetics Industry, Breakdown
by Product Category RMB in Billions, 2018-2028E**



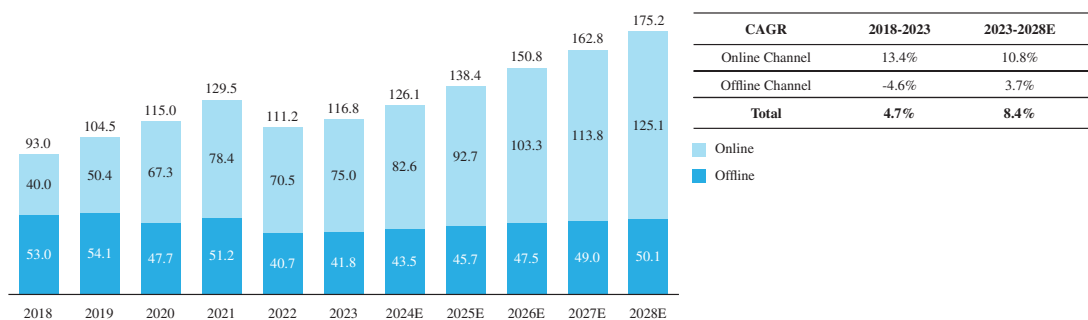
Source: Frost & Sullivan

Color Cosmetics Market in China by Sales Channel

Driven by e-commerce platforms such as Tmall and Taobao, as well as the emergence of emerging platforms such as Douyin and Xiaohongshu, the color cosmetics market is gradually dominated by online channels. The market size of online color cosmetics in terms of retail sales increased from RMB40.0 billion in 2018 to RMB75.0 billion in 2023, with a CAGR of 13.4%, accounting for 64.2% of the total color cosmetics market. At the same time, offline channels continue to grow. Offline channels are important for the color cosmetics industry, and the department store segment accounts for the highest proportion. The synergy between online and offline sales channels is poised for continuous growth, with department stores, in particular, maintaining their importance as premier sales venues. The following chart presents the historical and projected market size of China's color cosmetics market by sales channel in terms of retail sales from 2018 to 2028:

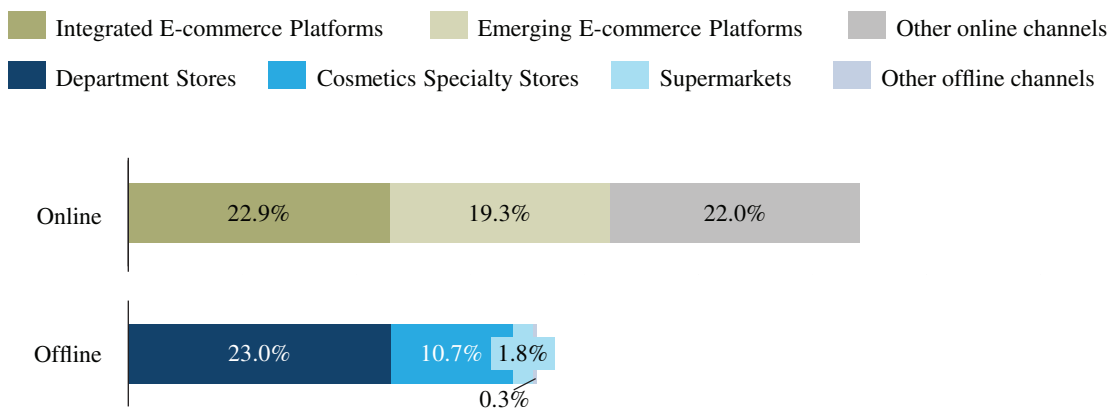
INDUSTRY OVERVIEW

Market Size of China's Color Cosmetics Industry, Breakdown by Sales Channel RMB in Billions, 2018-2028E



Source: Frost & Sullivan

Market Share of Different Sales Channels %, 2023



Source: Frost & Sullivan

Notes:

- (1) Other online channels include official websites of brand owners, cross-border e-commerce platforms, etc.
- (2) Other offline channels include pharmacies and duty-free stores.

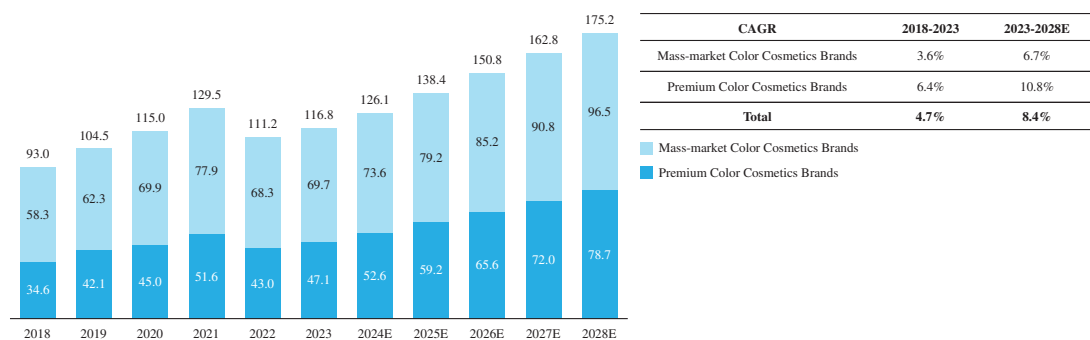
Color Cosmetics Market in China by Brand Positioning

With increasing attention to beauty and personal appearance, the premium color cosmetics market has gradually shown a booming trend. Consumers have higher requirements for product quality, ingredient safety and unique design, so they are willing to pay for high-quality premium color cosmetics products. This trend has promoted the continuous expansion of the market and attracted many well-known domestic and international brands to

INDUSTRY OVERVIEW

enter the competition. The premium color cosmetics market has received widespread attention and recognition in recent years. According to Frost & Sullivan, the market size of the premium color cosmetics market, in terms of retail sales, increased from RMB34.6 billion in 2018 to RMB47.1 billion in 2023, with a CAGR of 6.4%. The following chart presents the historical and projected market size of China's color cosmetics industry by brand positioning in terms of retail sales from 2018 to 2028:

**Market Size of China's Color Cosmetics Industry, Breakdown
by Brand Positioning RMB in Billions, 2018-2028E**



Source: Frost & Sullivan

COMPREHENSIVE ANALYSIS OF THE SKINCARE MARKET IN CHINA

Skincare products refer to products that improve skin integrity, provide relief to skin conditions and address specific skin concerns such as acne, dark spots, hyperpigmentation, fine lines and inflammation. Skincare accounted for nearly 80% of the beauty industry in terms of retail sales in 2023. With the improvement of living standards, people pay more attention to their appearance and maintain skin health, which accelerate the development of the skincare market. People's attention to their skin condition extends from the face to the whole body, mirroring the expanding scope of consumer needs and preferences. A key factor driving this evolution is the growing consumer knowledge about skincare, leading to increased demand for products with natural, safe and effective ingredients. The market size of the skincare market in China, in terms of retail sales, grew from RMB309.7 billion in 2018 to RMB463.0 billion in 2023 with a CAGR of 8.4%, and is expected to further grow at a CAGR of 8.7% to reach RMB701.1 billion in 2028, according to Frost & Sullivan.

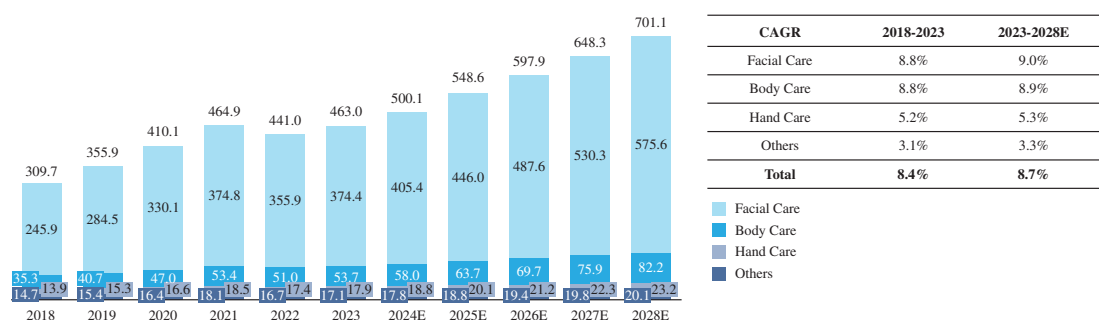
Skincare Market in China by Product Category

The skincare market in China mainly consists of facial care, body care and hand care segments. The facial care segment is the largest part of the skincare market, with a market share of over 80% in terms of retail sales in 2023. The market size of facial care products in terms of retail sales increased from RMB245.9 billion in 2018 to RMB374.4 billion in 2023 with a

INDUSTRY OVERVIEW

CAGR of 8.8%, and is expected to grow at a CAGR of 9.0% to reach RMB575.6 billion by 2028, according to Frost & Sullivan. The following chart presents the historical and projected market size of China's skincare market by product category in terms of retail sales from 2018 to 2028:

Market Size of China's Skincare Industry, Breakdown by Product Category RMB in Billions, 2018-2028E

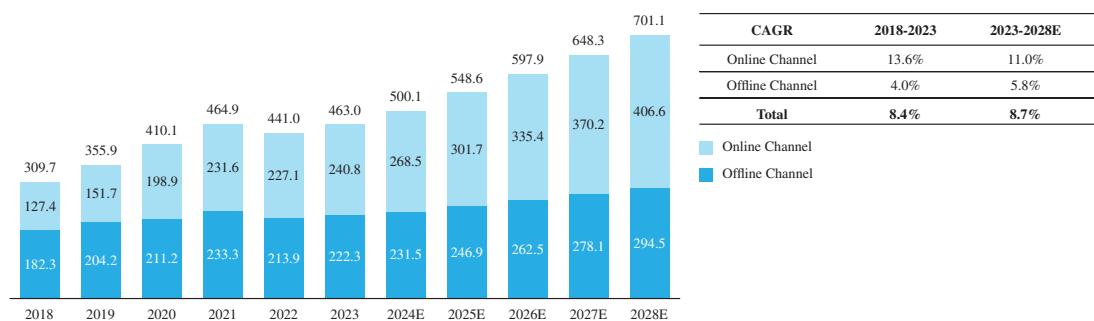


Source: Frost & Sullivan

Skincare Market in China by Sales Channel

The sales of skincare products showed rapid development on e-commerce platforms, and online channels gradually gained market shares. The market size of online skincare in terms of retail sales increased from RMB127.4 billion in 2018 to RMB240.8 billion in 2023 with a CAGR of 13.6%, accounting for 52.0% of the total skincare market in 2023. Meanwhile, the offline channels maintained stable growth. As the pandemic subsided, the offline market began to recover, and it is anticipated that skincare product sales through offline channels will experience higher growth rates compared to previous years. The following chart presents the historical and projected market size of China's skincare market by sales channel in terms of retail sales from 2018 to 2028:

Market Size of China's Skincare Industry, Breakdown by Sales Channel RMB in Billions, 2018-2028E



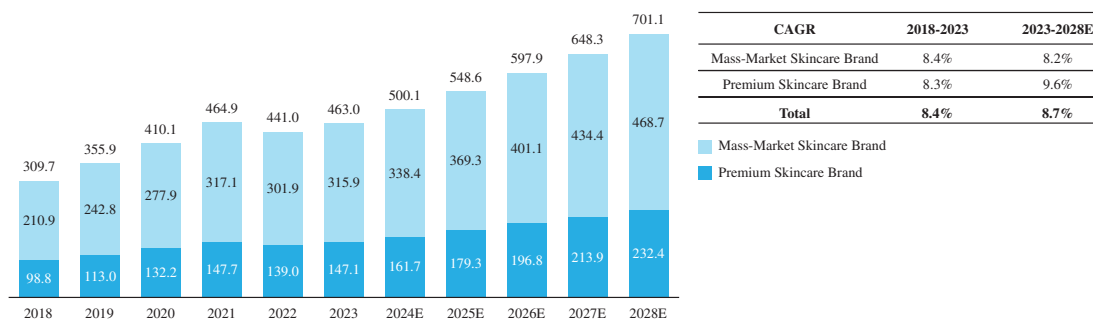
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Skincare Market in China by Brand Positioning

With rising consumption levels and extensive social media campaigns on skincare awareness, Chinese consumers have become increasingly aware of skincare in recent years, striving to achieve healthy and beautiful skin. In order to achieve this goal, consumers' requirements for efficacy, quality and safety of skincare products have gradually risen, and they are willing to pay for high-quality skincare products. As a result, premium skincare brands have gained popularity in recent years. According to Frost & Sullivan, the market size of China's premium skincare market increased from RMB98.8 billion in 2018 to RMB147.1 billion in 2023 in terms of retail sales, with a CAGR of 8.3%. The following chart presents the historical and projected market size of China's skincare market by brand positioning in terms of retail sales from 2018 to 2028:

**Market Size of China's Skincare Industry, Breakdown by Brand Positioning
RMB in Billions, 2018-2028E**



Source: Frost & Sullivan











INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Competitive Landscape of China's Premium Beauty Industry

According to Frost & Sullivan, the premium beauty industry in China is concentrated, with the top five beauty groups occupying a market share of 55.4% in terms of retail sales in 2023, all of them being international beauty groups. According to Frost & Sullivan, our Group was the seventh largest premium beauty group in China in terms of retail sales in 2023.

Ranking of Premium Beauty Groups in China, by Retail Sales (2023)

Ranking	Group Name	Retail Sales (2023)	RMB in Millions	Group Origin	Market Share
1	Group A		39,930	International	20.6%
2	Group B		32,312	International	16.6%
3	Group C		15,721	International	8.1%
4	Group D		13,001	International	6.7%
5	Group E		6,660	International	3.4%
6	Group F		3,854	International	2.0%
7	Our Group		3,553	Domestic	1.8%
8	Group G		2,424	International	1.2%
9	Group H		2,205	International	1.1%
10	Group I		2,001	International	1.0%

Source: Frost & Sullivan

Notes:

Group A: A listed beauty group founded in 1909 in France. This group engages in skincare, color cosmetics, personal care and other products, and owns premium and mass-market brands.

Group B: A listed beauty group founded in 1946 in the United States. This group engages in skincare, color cosmetics and other products, and mainly owns premium brands.

Group C: A listed beauty group founded in 1987 in France. This group engages in skincare, color cosmetics and other products, and mainly owns premium brands.

Group D: A listed beauty group founded in 1872 in Japan. This group engages in skincare, color cosmetics and other products, and owns premium and mass-market brands.

Group E: A listed beauty group founded in 1837 in the United States. This group engages in skincare, personal care and other products, and mainly owns mass-market brands.

Group F: A private beauty group founded in 1910 in France. This group engages in skincare, color cosmetics and other products, and owns a premium brand.

Our Group: A private beauty group founded in 2000 in China. Our Group engages in color cosmetics and skincare products, and mainly owns a premium brand.

Group G: A listed beauty group founded in 1976 in France. This group engages in skincare, personal care and other products, and mainly owns a premium brand.













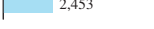


Group H: A private beauty group founded in 1954 in France. This group engages in skincare, and owns a premium brand.

Group I: A listed beauty group founded in 1945 in Korea. This group engages in skincare, color cosmetics and other products, and mainly owns mass-market brands.

INDUSTRY OVERVIEW

MAOGEPING is a leading brand in China’s premium beauty industry. According to Frost & Sullivan, the top five premium beauty brands, all of them being international beauty brands, occupying a market share of 32.1% in terms of retail sales in 2023, formed a relatively concentrated competitive landscape. According to Frost & Sullivan, MAOGEPING was the only domestic brand among the top 15 premium beauty brands in China, ranking 12th in terms of retail sales in 2023, with a market share of 1.8% in the premium beauty industry. The following chart presents the market share of the top 15 premium beauty brands in China by retail sales in 2023:

Ranking of Premium Beauty Brands in China, by Retail Sales (2023)

Ranking	Brand Name	Retail Sales (2023)	RMB Millions	Brand Origin	Market Share
1	Brand A		21,726	International	11.2%
2	Brand B		17,901	International	9.2%
3	Brand C		9,415	International	4.8%
4	Brand D		6,682	International	3.4%
5	Brand E		6,660	International	3.4%
6	Brand F		5,030	International	2.6%
7	Brand G		4,967	International	2.6%
8	Brand H		4,947	International	2.5%
9	Brand I		4,869	International	2.5%
10	Brand J		3,854	International	2.0%
11	Brand K		3,605	International	1.9%
12	MAOGEPING		3,553	Domestic	1.8%
13	Brand L		3,331	International	1.7%
14	Brand M		2,561	International	1.3%
15	Brand N		2,453	International	1.3%

Source: Frost & Sullivan

Notes:

Brand A: A beauty brand founded in 1935 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.

Brand B: A beauty brand founded in 1946 originated in the United States, mainly engaged in skincare, color cosmetics, and perfume products.

Brand C: A beauty brand founded in 1994 originated in the United States, mainly engaged in skincare and color cosmetics products.

Brand D: A beauty brand founded in 1946 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.

Brand E: A beauty brand founded in 1980 originated in Japan, mainly engaged in skincare products.

Brand F: A beauty brand founded in 1982 originated in Japan, mainly engaged in skincare and color cosmetics products.

Brand G: A beauty brand founded in 1961 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.

Brand H: A beauty brand founded in 1828 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.

INDUSTRY OVERVIEW

Brand I: A beauty brand founded in 1872 originated in Japan, mainly engaged in skincare, color cosmetics, and perfume products.

Brand J: A beauty brand founded in 1910 originated in France, mainly engaged in skincare, color cosmetics, and perfume products.

Brand K: A beauty brand founded in 1902 originated in France, mainly engaged in skincare products.

MAOGEPING: A beauty brand founded in 2000 originated in China, mainly engaged in color cosmetics and skincare products.
















Brand L: A beauty brand founded in 1851 originated in the United States, mainly engaged in skincare and other products.

Brand M: A beauty brand founded in 1975 originated in Italy, mainly engaged in skincare, color cosmetics, and perfume products.

Brand N: A beauty brand founded in 1997 originated in the United States, mainly engaged in skincare products.

According to Frost & Sullivan, in terms of retail sales generated from offline channels in China in 2023, the top five premium beauty brands occupied a market share of 31.6%. In terms of retail sales generated from offline channels in 2023, MAOGEPING was the 11th largest premium beauty brand in China, with a market share of 2.1% and the only domestic brand among those leading brands. The following chart presents the market share of the top 15 premium beauty brands in China by retail sales generated from offline channels in 2023:

**Ranking of Premium Beauty Brands in China,
by Retail Sales Generated from Offline Channels (2023)**

Ranking	Brand Name	Retail Sales (2023)	RMB Millions	Brand Origin	Market Share
1	Brand A		9,070	International	9.5%
2	Brand B		7,761	International	8.2%
3	Brand C		6,106	International	6.4%
4	Brand H		3,865	International	4.1%
5	Brand D		3,208	International	3.4%
6	Brand E		3,057	International	3.2%
7	Brand F		2,675	International	2.8%
8	Brand G		2,129	International	2.2%
9	Brand I		2,070	International	2.2%
10	Brand J		2,041	International	2.1%
11	MAOGEPING		2,033	Domestic	2.1%
12	Brand K		1,745	International	1.8%
13	Brand L		1,539	International	1.6%
14	Brand O		1,445	International	1.5%
15	Brand N		1,432	International	1.5%

Source: Frost & Sullivan











Note:

Brand O: A beauty brand founded in 1976 originated in France, mainly engaged in skincare products.

INDUSTRY OVERVIEW

Department stores play a significant role in premium beauty brands' channel strategy due to direct access to target consumers and great branding endorsement. The top five premium brands contributed a market share of 35.6% in terms of retail sales generated from the department store segment in 2023. According to Frost & Sullivan, MAOGEPING was the eighth largest premium beauty brand in China in terms of retail sales generated from the department store segment in 2023, and the only domestic brand among those leading premium beauty brands. MAOGEPING was the largest domestic beauty brand in terms of retail sales generated from the department store segment in China in 2023. The following chart presents the market share of the top ten premium beauty brands in China by retail sales generated from the department store segment in 2023:

Ranking of Premium Beauty Brands in China, by Retail Sales Generated from the Department Store Segment (2023)

Ranking	Brand Name	Retail Sales (2023)	RMB Millions	Brand Origin	Market Share
1	Brand A		6,809	International	10.6%
2	Brand B		5,497	International	8.5%
3	Brand C		4,714	International	7.3%
4	Brand H		3,175	International	4.9%
5	Brand D		2,727	International	4.2%
6	Brand F		2,224	International	3.5%
7	Brand E		1,998	International	3.1%
8	MAOGEPING		1,896	Domestic	2.9%
9	Brand J		1,662	International	2.6%
10	Brand K		1,640	International	2.5%






Source: Frost & Sullivan

Competitive Landscape of China's Domestic Beauty Industry

The domestic beauty industry in China is fragmented, with the top five domestic beauty brands occupying a market share of 12.8% in terms of retail sales in 2023. MAOGEPING was the sixth largest domestic beauty brand in China in terms of retail sales in 2023, with a market share of 1.4%. In particular, the domestic color cosmetics industry in China is relatively concentrated, with the top five domestic color cosmetics brands occupying a market share of 31.3% in terms of retail sales in 2023. MAOGEPING was the second largest domestic color cosmetics brand in China in terms of retail sales in 2023. In China's domestic color cosmetics industry, MAOGEPING was the largest domestic color cosmetics brand in terms of retail sales generated from offline channels in 2023, especially the department store segment.

INDUSTRY OVERVIEW

Ranking of Domestic Color Cosmetics Brands in China, by Retail Sales (2023)

Ranking	Brand Name	Retail Sales (2023)	RMB Millions	Brand Origin	Market Share
1	Brand P		3,397	Domestic	9.9%
2	MAOGEPING		2,059	Domestic	6.0%
3	Brand Q		1,923	Domestic	5.6%
4	Brand R		1,716	Domestic	5.0%
5	Brand S		1,655	Domestic	4.8%

Source: Frost & Sullivan

Notes:

Brand P: A beauty brand founded in 2017 originated in China, mainly engaged in color cosmetics products.

Brand Q: A beauty brand founded in 2017 originated in China, mainly engaged in color cosmetics products.

Brand R: A beauty brand founded in 2001 originated in China, mainly engaged in color cosmetics products.

Brand S: A beauty brand founded in 2017 originated in China, mainly engaged in color cosmetics products.

The domestic skincare industry in China is fragmented, with the top five domestic skincare brands occupying a market share of 14.5% in terms of retail sales in 2023. MAOGEPING was the 20th largest domestic skincare brand in China, gaining a market share of 0.7% in terms of retail sales in 2023. In China's domestic skincare industry, MAOGEPING's skincare product offering quickly gained its market share since its launch, and attained a growth rate of approximately 47% from 2022 to 2023, which far exceeded the industry average.

MARKET DRIVERS OF THE BEAUTY INDUSTRY IN CHINA

The growth of the beauty industry in China is expected to be driven by the following market drivers:

Expanding consumer base. Young people's demand for beauty and personality expression is growing, and they have become an important force in the beauty market. Especially under the popularization of the Internet, young people are more easily exposed to a variety of beauty information and product recommendations, thus stimulating their interest in makeup. Mature consumers have increased requirements for color cosmetics and skincare products, and their consumption of premium products has increased. Not only limited to female consumers, with the change of men's aesthetic concept, male consumers also began to pay attention to their own image building, and actively try to use beauty products. In addition, film and television works, games and anime imitation makeup have gradually become one of the

INDUSTRY OVERVIEW

factors to attract the attention of young groups and promote sales growth of beauty products. As the income level of residents in lower-tier cities has steadily increased, which inspire people to increasingly pursue personalized and fashionable lifestyle, purchasing beauty products becomes a popular choice. E-commerce platforms help to release lower-tier city consumers' purchasing power, which further accelerate the growth of the beauty industry.

Increased recognition of domestic brands and products. With the improvement of China's economic level and residents' cultural identity, national aesthetic consciousness is awakening, and domestic brands will usher in greater opportunities for development. Domestic brands increase investment in product quality, publicity and marketing, aesthetic innovation and other aspects to continuously improve brand influence. Through technological advancements, the product development strength and product quality of domestic brands have been continuously enhanced, which increase consumers' confidence in domestic brands and products. The domestic beauty market in China reached RMB263.1 billion in 2023, representing a CAGR of 9.8% from 2018 to 2023, and is expected to continue growing at a CAGR of 10.3% to reach RMB430.2 billion by 2028, according to Frost & Sullivan. The improvement of consumers' recognition of domestic brands will further promote the growth of the domestic beauty market.

Development of emerging social media and e-commerce channels. The development of emerging online platforms promotes the diversification of marketing channels and stimulates the desire of potential consumers to purchase. Through social media, e-commerce platforms and other channels, consumers can see the usage experience and recommendation evaluation shared by other consumers, so as to resonate and increase their curiosity for products, which will further stimulate potential consumers to turn browsing into actual purchasing behavior. In addition, the development of emerging e-commerce platforms could provide consumers with a more convenient and rich shopping experience. Through these platforms, consumers can access detailed information and makeup tutorials on beauty products. The popularization and dissemination of makeup knowledge has further promoted the development of the beauty industry.

INDUSTRY TRENDS OF THE BEAUTY INDUSTRY IN CHINA

The beauty industry in China is characterized by the following industry trends:

Increased industry concentration. With the increasing demand for beauty products, the penetration rate of leading beauty brands in the market has shown a steady upward trend. These leading brands have successfully attracted a large number of loyal consumers with their high quality, innovative and unique product positioning. They enhance their visibility and influence through a variety of ways, such as advertising, celebrity endorsement and offline store experience, which will further increase their market share. At the same time, the competition between emerging beauty brands is also extremely fierce. Emerging brands are actively seeking differentiated competitive strategies to gain more market share. They are committed to introducing personalized products that meet the needs of different consumer groups. Domestic beauty brands have made remarkable progress in recent years, matching or even surpassing

INDUSTRY OVERVIEW

international brands in terms of technological research and development, product quality and packaging design. As the strength of domestic brands increases, they will further challenge the position of international brands in the market and compete for more market share.

Brand building and enhancement. With the increasing attention of consumers to beauty and personal appearance, China's beauty market is ushering in booming opportunities. When consumers buy products, they usually choose beauty brands with high visibility and good reputation. Therefore, beauty brands attach great importance to brand building. Beauty brands are committed to making full use of various marketing channels to enhance brand awareness. Brands actively participate in various fashion activities and cooperate with celebrities on social platforms to carry out joint brand promotion, continuously expand market share and reach potential target customer groups. In addition, innovative capabilities are important for brand building as it can establish brand differentiation advantages through independent research and development, and thus enhance brand competitiveness.

Increasing investment in product development. Beauty companies continue to strengthen investment in product development, and pay attention to creating product functions and characteristics to improve the quality of products. More beauty companies focus on the research and development of core effective ingredients. Beauty companies insist on in-depth study of different skin types, combined with advanced science and technology, and constantly improve product quality to enhance the core competitiveness of their brands. In addition to product quality, many brands are willing to increase investment in product packaging design to win the favor of consumers. The investment in product quality and product packaging can not only meet the needs of consumers for the functions and effects of beauty products, but also give consumers a pleasant feeling. With increasingly fierce market competition, beauty companies continue to carry out technological innovation and design improvement to attract more consumers.

Consumer spending patterns during market fluctuations. There is a type of unique consumer behavior pattern during periods of market fluctuations known as the "lipstick effect", where consumers tend to shift towards more affordable luxuries, such as premium beauty products, instead of high-priced luxury items. This pattern may have significant implications for the beauty industry in China, especially for brands positioned in the premium segment including MAOGEPING. However, since cosmetics are considered daily essentials, their demand remains relatively resilient despite changes in market conditions. Premium brands that effectively highlight the value and quality of their products tend to attract consumers seeking accessible enjoyment. The enduring appeal of beauty products, combined with innovative marketing strategies and a focus on delivering value, positions the beauty industry to weather market fluctuations effectively. Our Industry Consultant is of the view that, as market conditions improve, consumer spending power and willingness to invest in high-end products are expected to grow, offering opportunities for premium brands to capitalize on their established reputation and market presence.

MARKET ENTRY BARRIERS OF THE BEAUTY INDUSTRY IN CHINA

New entrants to the beauty industry in China may encounter the following established entry barriers:

Brand awareness and recognition. As living standards improve and consuming philosophy and patterns evolve, brand recognition and loyalty have become important factors in consumption decision-making in the beauty industry. Brand awareness is a comprehensive illustration of product quality, brand culture, manufacturing skills, management and service, marketing network and public recognition that requires large amounts of investment of capital, resources and time. Existing top brands experienced rich accumulation and development in all aspects, thus their brand images are deeply rooted in consumers and favored by consumers, building their branding barriers and market recognition. New entrants would experience challenges when facing competition with existing enterprises in a relatively short period of time.

Product development and product quality capabilities. One challenge continuously posed to the beauty industry is to develop new products that fulfill market demands in different stages of the industry. Development of beauty products involves life science, fine chemistry, dermatology, botanical science, etc. Cross-section application and research would require a complete product development process ranging from foundational research and development to engineering application which could fulfill the requirements of coordination and system completeness. In this way, leading beauty companies that are strong in terms of capital, talent and resources and have more research and development accumulation could achieve marketization of newly developed technology more efficiently. In addition, product quality is the key to brand development. Leading companies have sufficient capital and resources to purchase high-quality raw materials to ensure product quality, and have a mature quality control system to ensure the stability of product quality to provide consumers with premium consumption experience. There are technological barriers to new entrants in the industry.

Management team and operational management capabilities. Leading beauty companies have established management teams and advanced operational systems in the course of long-term business activities, including procurement, production, supply chain, marketing and sales. The management teams have accumulated rich experience in product flow, quality control and other areas. They have the ability to ensure that each step of the product process is efficient and compliant with the regulations, and thus are able to provide high-quality products. Compared to emerging companies, leading beauty companies are more resilient to risks and are able to grow steadily and sustainably. Obtaining this capability is challenging for emerging companies.

Offline channel barrier. The product characteristics of beauty products make consumers attach great importance to offline experience. The offline layout of premium beauty brands is usually dominated by the department store segment and premium cosmetics specialty store segment of offline channels. The natural geographical advantage of the department store segment and premium cosmetics specialty store segment of offline channels makes it have a

INDUSTRY OVERVIEW

higher screening standard for the selected brands. The department store segment can provide consumers with premium shopping experience. Brands are able to interact directly with consumers, to quickly understand consumer preferences and changes in demand through brand counters, so as to timely adjust brand strategies. In addition, the department store segment and premium cosmetics specialty store segment of offline channels have higher requirements for service personnel. Brand counters are usually equipped with professional beauty consultants to provide consumers with professional advice and guidance, while disseminating brand concepts and promoting brand publicity. Emerging brands lack brand recognition, which often is a challenge to expand offline channels.

CHALLENGES OF THE BEAUTY INDUSTRY IN CHINA

The beauty industry in China is faced with the following challenges:

Product homogenization. The phenomenon of product homogenization exists in the beauty market in China, making it difficult for consumers to establish loyalty to a particular brand. It is challenging for beauty brands to shape their own brand differentiation to improve competitiveness. Brands are required to explore their own features in terms of product quality, positioning, research and development, as well as marketing, in order to stand out in the market.

Developing consumption recognition. With the burgeoning “beauty economy” and the widespread popularity of social media for beauty and skincare content, Chinese consumers’ demand for beauty products is rising. However, their ability to recognize product quality, function and positioning is still developing. As such, consumers’ needs can hardly be compatible with their choice of products and brands. Beauty brands require investment in cultivating consumption recognition to tailor their products with the characteristics of target groups, thus enhancing consumer loyalty and market space.

Rapidly changing market demand. The new generation of consumer groups has begun to grow into the main force of consumption, who prefer to follow fashion and rapidly change their beauty product needs. To cater to consumers, beauty brands need to launch products that timely meet changing demand. This is challenging for brands to realize, which includes gaining instant insights into consumers’ demand, developing suitable strategies, and investing adequately, otherwise, it can lead to loss of investment and damage to brands’ reputations.

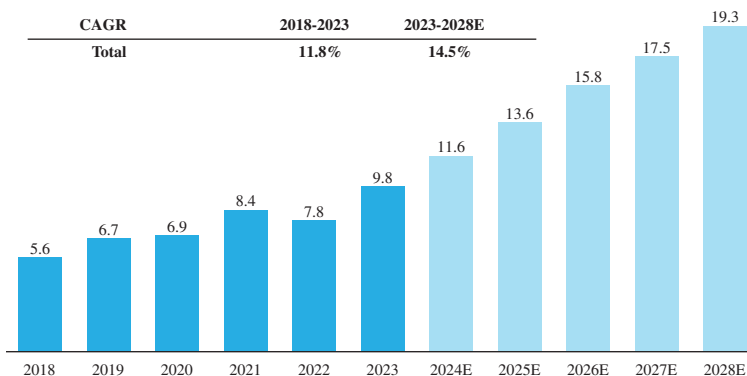
OVERVIEW OF THE MAKEUP ARTISTRY TRAINING INDUSTRY IN CHINA

Makeup artistry training refers to education programs that are designed for program participants to learn makeup knowledge and skills, and such training aims to help program participants to work in the beauty industry or other related industries as beauty advisors, styling designers, etc.

INDUSTRY OVERVIEW

The following chart presents the historical and projected market size of the makeup artistry training industry in China in terms of revenue from 2018 to 2028:

Market Size of China's Makeup Artistry Training Industry, RMB in Billions, 2018-2028E



Source: Frost & Sullivan

China's makeup artistry training industry has experienced rapid growth in recent years, and the market size grew from RMB5.6 billion in 2018 to RMB9.8 billion in 2023, representing a CAGR of 11.8%.

Drivers of the Makeup Artistry Training Industry

The growth of the makeup artistry training industry is expected to be driven by the following market drivers:

The growing beauty industry. As the consumer market for color cosmetics is expanding, the audience for makeup continues to grow and the demand for beauty services in people's daily lives is increasing. This will accelerate the growth of the makeup artistry industry and boost the demand for beauty professionals. Especially with the increase in the category of makeup products, the threshold for making good makeup is getting higher.

Rapid innovation and upgrading of the industry. The makeup artistry industry's aesthetic styling is based on current fashion elements and mainstream aesthetics, which is time-sensitive and has a short duration, since beauty trends keep changing, such as the iteration of makeup tools and the refreshing of makeup styles. Therefore, it's necessary for beauty professionals to study and train on a regular basis to keep up with the latest makeup techniques. It is expected that the industry will be consolidated and grow at a CAGR of 14.5% to reach RMB19.3 billion by 2028.

INDUSTRY OVERVIEW

Future Trends of the Makeup Artistry Training Industry

The makeup artistry training industry is characterized by the following industry trends:

Closer makeup artistry school-enterprise cooperation. Since makeup skills education effectively bridges the gap between students and employers, makeup schools are expected to work closely with enterprises to become well-prepared for changes in employer needs. The programs are customized to ensure which type of makeup effect is popular and required most in the practicable aspect. In addition, such close cooperation facilitates improved employment rates and job-hunting efficiency in the makeup artistry training market through talent assessments and internal referrals.

Better quality makeup training providers are increasingly popular. The makeup artistry training market is poorly concentrated. As the industry becomes increasingly competitive, only high-quality makeup teaching institutions with diversified courses, abundant teaching resources, advanced equipment support, and comprehensive teaching systems will achieve solid future growth and form a scale advantage to integrate the market. The small workshop-like beauty schools or training-to-work beauty salons will be eliminated in terms of beauty education.

TRENDS IN RAW MATERIAL PRICES

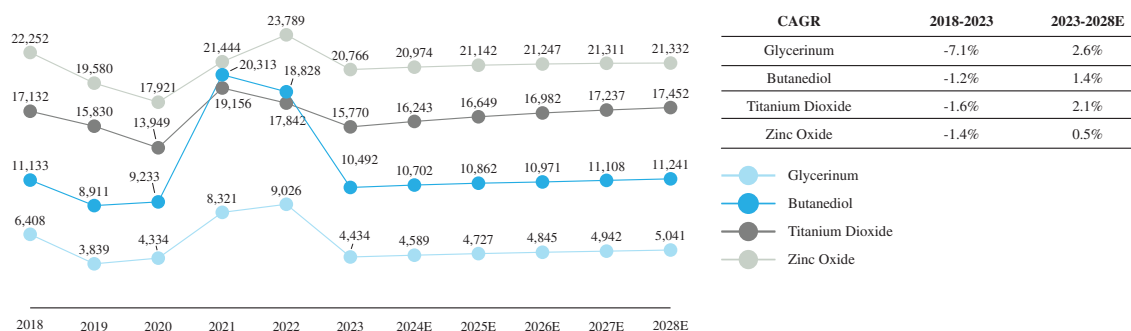
Fluctuations in the prices of key raw materials impact the beauty industry, requiring stakeholders to navigate carefully to ensure sustainable growth and product innovation.

Beauty products mainly utilize lipid, powder and solvent as basic materials, primarily including glycerinum (甘油), butanediol (丁二醇), titanium dioxide (钛白粉) and zinc oxide (氧化锌), etc. From 2018 to 2023, the price per ton of glycerinum (甘油) and butanediol (丁二醇) decreased from RMB6,408 and RMB11,133 to RMB4,434 and RMB10,492, respectively, with a CAGR of -7.1% and -1.2%, respectively. In 2023, the price per ton of titanium dioxide (钛白粉) and zinc oxide (氧化锌) was RMB15,770 and RMB20,766, respectively, with a CAGR of -1.6% and -1.4%, respectively, from 2018 to 2023. Since 2018, the operation of manufacturers for these raw materials has begun to recover after several years of structural adjustment in the chemical industry, driving down the price of raw materials. In 2021, the combination of factors such as the continuation of monetary easing policies in major global economies, supply and logistics disruptions due to overseas epidemic prevention and control, and domestic curbs on the production of highly polluting and energy-intensive industries, indirectly pushed up the prices of important basic chemicals. The key raw material prices of beauty products fluctuated from 2018 to 2023. However, as the pandemic subsided, the extreme

INDUSTRY OVERVIEW

events that caused raw material price volatility back then are less likely to reoccur in the near future. Therefore, it is expected that the price of glycerinum, butanediol, titanium dioxide, and zinc oxide will grow at a stable pace from 2024 to 2028.

**Key Raw Material Prices
RMB/Ton, 2018-2028E**



SOURCE OF INFORMATION

In connection with the Global Offering, we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report about, the global cosmetics industry and China’s cosmetics industry. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies, and provides growth consulting and corporate training. In connection with the market research services provided, we have paid a fee of RMB680,000 to Frost & Sullivan, which we believe to be consistent with market rates.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan adopted the following assumptions: (i) the global social, economic and political environment is likely to remain stable in the five years from 2024 to 2028 (the “**Forecast Year**”), (ii) purchasing power is expected to continue to rise rapidly, and (iii) related industry drivers, future trends and entry barriers are taken into consideration.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Frost & Sullivan has prepared the Frost & Sullivan Report based on detailed primary research which involved discussing the status of the cosmetics industry with certain leading industry participants and secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS

We set out below a summary of the most important laws, regulations and rules that affect and regulate our current principal business activities and operations in the PRC.

REGULATIONS RELATING TO COSMETICS

Production and Sales of Cosmetics

According to the Regulation on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) (Order No. 727 of the State Council of the People's Republic of China), which became effective on January 1, 2021, and the Measures for the Supervision and Administration of Production and Operation of Cosmetics (《化妝品生產經營監督管理辦法》) (Order No. 46 of the State Administration for Market Regulation), which became effective on January 1, 2022, whoever engages in the production and operation of cosmetics within the territory of the PRC shall file an application for a cosmetics production license with the drug supervision and administration department of the people's government of the province, autonomous region, or municipality directly under the central government at the place where it is located. Cosmetic registrants and recordation entities may produce cosmetics by themselves or by entrusting other enterprises. In the case of entrusted production of cosmetics, a cosmetic registrant or recordation entity shall entrust an enterprise that has obtained the corresponding cosmetics production license, and supervise the production activities of the entrusted enterprise to ensure that it produces cosmetics according to statutory requirements. Cosmetic manufacturers and distributors shall store and transport cosmetics in accordance with the provisions of relevant laws and regulations and the requirements indicated on cosmetic labels, and inspect on a regular basis and handle in a timely manner the deteriorated or expired cosmetics. The cosmetic distributors on the e-commerce platform shall disclose the information on the cosmetics they distribute in a comprehensive, truthful, accurate and timely manner. The content of cosmetic advertisements shall be authentic and legal. No cosmetic advertisement may expressly or impliedly indicate that the product has any medical effect, contain any false or misleading information, or deceive or mislead consumers. Where any cosmetics registrant or recordation entity finds any quality defects or other problems in the cosmetics that may endanger the human health, it shall immediately stop the production, recall the cosmetics that have been sold on the market, notify the relevant cosmetics operators and consumers to stop the operation and use, and record the situations of recall and notification. The cosmetics registrants or recordation entities shall take remedial measures, harmless disposal or destruction measures for the recalled cosmetics, and report the information of recall and disposal to the drug supervision and administration department of the people's government of the province, autonomous region, or municipality directly under the central government at the place where it is located. In addition, new cosmetic ingredients mean the natural or artificial ingredients that are used in cosmetics for the first time in the PRC. New cosmetic ingredients that have the functions of preventing corrosion, sunscreen, coloring, hair coloring, and freckle removal and whitening shall be registered with the drug regulatory authority of the

REGULATORY OVERVIEW

State Council prior to use by the registrant of new cosmetic ingredients rather than the registrant of cosmetics; other new cosmetic ingredients shall be submitted to the drug regulatory authority of the State Council for record by recordation entities of the new cosmetic ingredients before use.

According to the Good Manufacturing Practice for Cosmetics (《化妝品生產質量管理規範》) (Announcement No. 1 of 2022 of the NMPA), which became effective on July 1, 2022, the registrant, the recordation entity and the entrusted manufacturer of cosmetics shall exercise good faith and self-discipline, establish a production quality management system in accordance with the requirements of the regulations, and realize the control and traceability of the whole process of cosmetic ingredient procurement, production, inspection, storage, sale and recall, etc., so as to ensure the sustainable and stable production of cosmetics that meet the quality and safety requirements.

According to the Safety and Technical Specification for Cosmetics (Version 2015) (《化妝品安全技術規範(2015年版)》) (Announcement No. 268 of 2015 of the China Food and Drug Administration), which became effective on December 1, 2016, the production of cosmetics shall comply with the requirements of the specifications for the production of cosmetics, and the production process of cosmetics shall be scientific and reasonable to ensure product safety. Cosmetics shall be inspected before they are marketed, and cosmetics shall meet the relevant requirements for product quality and safety, and are allowed to leave the factory after passing the examination.

According to the Measures for the Administration of Cosmetic Labels (《化妝品標籤管理辦法》) (Announcement No. 77 of 2021 of the NMPA), which became effective on May 1, 2022, the smallest sales unit of cosmetics shall be labeled. The labels shall comply with the requirements of the relevant laws, administrative regulations, departmental rules, compulsory national standards and technical specifications. The contents of the labels shall be lawful, authentic, complete and accurate and consistent with the relevant contents registered or filed for record.

According to the Measures for the Supervision and Administration of Online Operation of Cosmetics (《化妝品網絡經營監督管理辦法》) (Announcement No. 36 of 2023 of the National Medical Products Administration), which became effective on September 1, 2023, cosmetic e-commerce platform operators shall be responsible for managing cosmetic distributors on the platform in accordance with law, and shall establish and effectively implement cosmetic quality and safety management systems, such as real name registration, daily inspection, illegal behavior suppression and reporting, and complaint and report handling. Cosmetics distributors on the platform shall establish and implement a purchase inspection record system, check the direct supplier's market entity registration certificate, special cosmetics registration certificate or ordinary cosmetics filing information, cosmetics product quality inspection certificate, and keep relevant certificates. Cosmetics distributors on the platform shall perform the obligation of cosmetics information disclosure, disclose cosmetics labels and other information consistent with the registration or filing materials in a comprehensive, true, accurate, clear and timely manner, actively cooperate with cosmetic

REGULATORY OVERVIEW

e-commerce platform operators to carry out quality and safety management activities such as daily inspection, self-inspection of regulatory disclosure information, and shall store and transport cosmetics in accordance with the provisions of relevant laws and regulations and the requirements of cosmetic labels, regularly check and timely deal with cosmetics that have deteriorated or exceeded their use-by date.

Registration and Recordation of Cosmetics

According to the Measures for the Administration of the Registration and Recordation of Cosmetics (《化妝品註冊備案管理辦法》) (Order No. 35 of the State Administration for Market Regulation), which became effective on May 1, 2021, a registrant or recordation entity of cosmetics and new cosmetic ingredients shall, when applying for registration or undergoing recordation formalities, comply with the requirements of applicable laws, administrative regulations, compulsory national standards and technical specifications, be responsible for the veracity and scientificity of the materials submitted, and comply with the requirements of the following regulations including but not limited to the Administrative Provisions of Cosmetics Registration and Filing Documents (《化妝品註冊備案資料管理規定》) (Announcement No. 32 of 2021 of the NMPA), the Administrative Provisions on Materials for Registration and Record Filing of New Cosmetic Ingredients (《化妝品新原料註冊備案資料管理規定》) (Announcement No. 31 of 2021 of the NMPA), the Classification Rules and Catalog of Cosmetics (《化妝品分類規則和分類目錄》) (Announcement No. 49 of 2021 of the NMPA), the Technical Guideline for Safety Assessment of Cosmetics (Version 2021) (《化妝品安全評估技術導則(2021年版)》) (Announcement No. 51 of 2021 of the NMPA), the Standards for Cosmetic Efficacy Claim Evaluation (《化妝品功效宣稱評價規範》) (Announcement No. 50 of 2021 of the NMPA), all of which became effective on May 1, 2021, the Supervision and the Administration Measures of Children's Cosmetics (《兒童化妝品監督管理規定》) (Announcement No. 123 of 2021 of the NMPA), which became effective on January 1, 2022, and the Specifications for the Implementation of Cosmetics Registration and Filing Inspection (《化妝品註冊和備案檢驗工作規範》) (Announcement No. 72 of 2019 of the NMPA), which became effective on September 3, 2019. The registrants and recordation entity of cosmetics and new cosmetic ingredients shall perform the obligations of product registration or recordation formalities in accordance with the laws and be responsible for the quality and safety of cosmetics and new cosmetic ingredients.

According to the Notice of the State Food and Drug Administration on Issuing the Provisions on the Acceptance of Cosmetic Administrative Licensing Application (《國家食品藥品監督管理局關於印發<化妝品行政許可申報受理規定>的通知》) (Guo Shi Yao Jian Xu [2009] No. 856), which became effective on April 1, 2010, and the Notice of the State Food and Drug Administration on Strengthening the Administration of the Recordation of Domestic Non-special Use Cosmetics (《國家食品藥品監督管理局關於加強國產非特殊用途化妝品備案管理工作的通知》) (Guo Shi Yao Jian Xu [2009] No. 118), which became effective on April 3, 2009, domestic special-use cosmetics are subject to administrative licensing management, and domestic non-special-use cosmetics are subject to recordation administration.

REGULATORY OVERVIEW

According to the Administrative Provisions of Cosmetics Registration and Filing Documents (《化妝品註冊備案資料管理規定》) (Announcement No. 32 of 2021 of the NMPA), which became effective on May 1, 2021, when applying for the registration of special cosmetics, a human efficacy test report that meets the relevant regulations on the evaluation of cosmetic efficacy claims should be submitted. Manufacturers of ordinary cosmetics that have obtained the product quality management system qualification certificate issued by the governmental regulatory authorities of the country or region where they are located, and the product safety assessment results can fully confirm the safety of the products, may be exempted from submitting the toxicological test report for ordinary cosmetics, except for the following circumstances: (i) the relevant products are intended for use by infants and children; (ii) the products use new cosmetic ingredients that are still under safety monitoring; or (iii) according to the quantitative grading scoring results, the registrant, domestic responsible person and manufacturer of the products are classified as key supervision objects. For ordinary cosmetics that belong to the above circumstances and special cosmetics required by China's relevant laws and regulations, enterprises should submit toxicological test reports, while other ordinary cosmetics may be exempted from submitting toxicological test reports as long as they meet the above requirements.

REGULATIONS RELATING TO SAFETY AND QUALITY OF COSMETICS

According to the Safety and Technical Specification for Cosmetics (Version 2015) (《化妝品安全技術規範(2015年版)》) (Announcement No. 268 of 2015 of the China Food and Drug Administration), which became effective on December 1, 2016, cosmetics produced and operated within the People's Republic of China shall meet the safety and technical requirements for cosmetics stipulated in the Specification, which include general requirements, requirements for prohibited and restricted ingredients, requirements for permitted ingredients and inspection and evaluation methods. Cosmetics shall undergo safety risk assessment to ensure that they do not cause harm to human health under normal, reasonable and foreseeable conditions. The production of cosmetics shall comply with the requirements of the specifications for the production of cosmetics, and the production process of cosmetics shall be scientific and reasonable to ensure product safety. Cosmetics shall be inspected before they are marketed, including applying relevant physical and chemical inspection methods, microbiological inspection methods, toxicological test methods and human body safety test methods and others. Cosmetics shall meet the relevant requirements for product quality and safety, and are allowed to leave the production base after passing the examination.

In respect of the cosmetic formula, the prohibited ingredients listed in the Specification are not allowed to use. In the event that it is technically infeasible to prevent the prohibited substances from being included as impurities in the cosmetics, the limit required by national regulations shall be complied with; if there is no limit, a safety risk assessment shall be performed to ensure that there is no harm to human health under normal, reasonable and foreseeable conditions. Where the raw materials used in cosmetics are required to be labeled with the application conditions and precautions, the applicable requirements need to be complied with. The raw materials of cosmetics are also subject to safety risk assessment to ensure that they do not cause harm to human health under normal, reasonable and foreseeable

REGULATORY OVERVIEW

conditions. The quality and safety requirements of the raw materials of cosmetics should conform to the corresponding national regulations, and the production and testing technology shall adapt to them accordingly. The raw materials of cosmetics shall be traceable through the label to the basic information of raw materials (including but not limited to the standard Chinese name of raw materials, INCI name, CAS number and/or EINECS number), manufacturer's name, purity or content, production batch number or production date, shelf life and other labels in Chinese.

According to the Good Manufacturing Practice for Cosmetics (《化妝品生產質量管理規範》) (Announcement No. 1 of 2022 of the NMPA), which became effective on July 1, 2022, the registrant, the recordation entity and the entrusted manufacturer of cosmetics shall exercise good faith and self-discipline, establish a production quality management system in accordance with the requirements of the regulations, and realize the control and traceability of the whole process of cosmetic ingredient procurement, production, inspection, storage, sale and product recall, etc., so as to ensure the sustainable and stable production of cosmetics that meet the quality and safety requirements.

The registrant, the recordation entity and the entrusted manufacturer of cosmetics engaged in cosmetics production activities shall establish a quality control department suitable for the type, quantity and production license items of the produced cosmetics, specify the responsibilities and licence rights of quality control and production departments, and equip technicians and inspectors suitable for the type, quantity and production license items of the produced cosmetics. The quality control department of an enterprise shall be set up independently, perform the duties of quality assurance, and participate in all activities related to quality assurance.

The enterprise shall establish the responsibility system for the quality and safety of cosmetics, and specify the responsibilities of the legal representative of the enterprise, the person in charge of quality and safety, the person in charge of quality control department, the head of production department and other positions related to the quality and safety of cosmetics. The personnel of each position shall perform the corresponding responsibilities for the quality and safety of cosmetics at corresponding level in accordance with the requirements for respective duties. The legal representative shall be fully responsible for the quality and safety of cosmetics, and shall be responsible for providing necessary resources, reasonably formulate and oversee the implementation of quality assurance policies, and ensure the realization of quality objectives. The enterprise shall have a person in charge of quality and safety, who shall assist the legal representative in undertaking the responsibilities of product quality and safety management and product release.

The enterprise shall establish and improve the quality control system for the production of cosmetics, including the quality assurance policy, quality objectives, quality control system, quality standards, product formula, production process, and operating procedures required by laws and regulations. The enterprise shall establish and implement a traceability management system, formulate clear batch number management rules for raw materials, internal packaging

REGULATORY OVERVIEW

materials, semi-finished products and finished products, and all records related to the production of each batch of products shall be interrelated to ensure the traceability of all activities such as material procurement, product production, quality control, storage, sales and recall.

According to the Administrative Provisions of Cosmetics Registration and Filing Documents (《化妝品註冊備案資料管理規定》) (Announcement No. 32 of 2021 of the NMPA), which became effective on May 1, 2021, the product inspection report of registered or filed products shall be issued by the cosmetics registration and filing inspection authority. It shall comply with the provisions of relevant regulations such as the Safety and Technical Specification for Cosmetics (《化妝品安全技術規範》) and the Specifications for the Implementation of Cosmetics Registration and Filing Inspection (《化妝品註冊和備案檢驗工作規範》). Product inspection reports include microbiological and physical and chemical tests, toxicological tests, human safety test reports and human efficacy test reports. Manufacturers of ordinary cosmetics that have obtained the product quality management system qualification certificate issued by the governmental regulatory authorities of the country or region where they are located, and of which the product safety assessment results can fully confirm the safety of the products, may be exempted from submitting the toxicological test report for ordinary cosmetics, except for the following circumstances: (i) the relevant products are intended for use by infants and children; (ii) the products use new cosmetic ingredients that are still under safety monitoring; or (iii) according to the quantitative grading scoring results, the registrant, domestic responsible person and manufacturer of the products are classified as key supervision objects. For ordinary cosmetics that belong to the above circumstances and special cosmetics required by China's relevant laws and regulations, enterprises should submit toxicological test reports, while other cosmetics may be exempted from submitting toxicological test reports as long as they meet the above requirements. When applying for the registration of special cosmetics, a human efficacy test report that meets the relevant regulations on the evaluation of cosmetic efficacy claims should be submitted. The registrant and the filer shall carry out product safety assessment in accordance with the requirements of the relevant technical guidelines for cosmetic safety assessment, and form a product safety assessment report. Cosmetics that must be used with instruments or tools (except for auxiliary brushes, air cushions, perming and dyeing tools, etc.) shall be evaluated for safety under the conditions of use with instruments or tools; and it shall also provide the information on whether the instruments or tools have the function of cosmetics, whether they participate in the reproduction of cosmetics, and whether they change the mechanism of action of the products to the skin when using such products.

Animal testing

Pursuant to the Regulation for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》) (Order No. 676 of the State Council of the People's Republic of China), which was amended on March 1, 2017 and came into effect on the same day, entities that engaged in the feeding and breeding of experimental animals must regularly monitor the quality of experimental animals in accordance with the standards of genetics, microbiology, nutriology and feeding and breeding environment.

REGULATORY OVERVIEW

Pursuant to the Administration Measures on Good Practice of Experimental Animals (《實驗動物品質管制辦法》) (Guo Ke Fa Cai Zi [1997] No. 593), which came into effect on December 11, 1997, the production and use of experimental animals shall be subject to a license system. The entities that produce or use experimental animals require a licence.

The licence for the production of experimental animals is applicable to the entities engaged in the breeding and commercial operation of experimental animals. The license for the use of experimental animals is applicable to the entities engaged in animal experiments and the production of drugs and biological products using experimental animals.

According to the Measures for the Authorized Administration of Experimental Animals (Trial) (《實驗動物授權管理辦法(試行)》) (Guo Ke Fa Cai Zi [2001] No. 545), which was promulgated on December 5, 2001 and implemented on January 1, 2002, the license for experimental animals includes the licence for the production of experimental animals and the license for the use of experimental animals. The licence for the production of experimental animals is applicable to organizations and individuals engaged in the conservation, breeding, production, supply, transportation and relevant commercial operations of experimental animals and related products. The validity period of the licence is five years, and the licence shall be re-examined and re-issued upon expiration.

REGULATIONS RELATING TO PRIVATE EDUCATION

According to the Law for Promoting Private Education of the People's Republic of China (《中華人民共和國國民辦教育促進法》) (Order No. 24 of the President of the People's Republic of China), which became effective on December 29, 2018, and the Regulations on the Implementation of the Law for Promoting Private Education of the People's Republic of China (《中華人民共和國國民辦教育促進法實施條例》) (Order No. 741 of the State Council of the People's Republic of China), which became effective on September 1, 2021, the “private schools” are defined as schools established by social organizations or individuals with non-governmental funds. The establishment of a private school shall meet the local needs of educational development and the requirements prescribed in the Education Law and the relevant laws and regulations. The standards for the establishment of private schools shall conform to those for the establishment of public schools of the same level and category. Those private schools engaging in diploma education, pre-school education, self-taught examination, and other cultural education shall subject to the examination and approval of the administrative departments for education of the governments at or above the county level in accordance with their authorities defined by the state. Those private schools mainly engaging in training of professional skills and vocational qualifications shall subject to the examination and approval of the administrative departments of human resources and social security of the governments at or above the county level in accordance with their authorities defined by the state and shall submit a copy to the educational administrative departments for archival purposes. Private schools to use Internet technology to carry out educational activities online is encouraged in the PRC. Online educational activities carried out with Internet technology shall comply with the provisions of the relevant laws and administrative regulations of the state on Internet management. Private schools that carry out educational activities online with Internet

REGULATORY OVERVIEW

technology shall obtain corresponding school-running permits. For a private school approved to be founded officially, the examination and approval authority shall issue a school-running permit and make an announcement to the public. The time limit of a school-running permit shall be compatible with the school-running level and type of the private school. A private school without violations of laws or regulations within the time limit of a permit may, upon expiry of the validity period, have the validity period automatically extended and obtain a new permit. The measures for the administration of school-running permits of private schools shall be developed by the administrative department of education and the administrative department of human resources and social security of the State Council according to the division of functions.

REGULATIONS RELATING TO ADVERTISING

According to the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) (Order No. 81 of the President of the People's Republic of China) effective from April 29, 2021, goods operators or service providers in China who engage in commercial advertising activities through certain media and in certain forms to directly or indirectly introduce the goods or services they promote shall comply with the law. The law also specifies the obligations of advertisers, advertising operators, publishers and advertising endorsers. Advertisements shall not contain false or misleading content and shall not deceive or mislead consumers. Advertisements shall not use expressions such as "national level", "highest level" or "best". Advertisers shall be responsible for the veracity of the content of their advertisements. If an advertisement states that the goods or services being promoted come with a gift, the type, specifications and quantity of, and the period and methods for giving the gift shall be clearly stated. Any advertiser who violates the foregoing requirements may be ordered to cease publishing the advertisement and subject to a fine less than RMB100,000. Except for advertisements for medical treatment, drugs and medical devices, no other advertisements may involve disease treatment functions, and medical terminologies or misleading terms that may cause readers to confuse the promoted products with drugs or medical devices shall not be used. Any advertiser who violates the relevant requirements may be ordered to cease publishing the advertisement and be subject to a substantial fine; in serious circumstances, the advertiser's business license may be revoked; the relevant authorities may revoke the review and approval documents and refuse to accept applications submitted by the advertiser within one year.

According to the Measures for the Administration of Internet Advertisements (《互聯網廣告管理辦法》) (Order No. 72 of the State Administration for Market Regulation) effective from May 1, 2023, publishing advertisements for medical treatment, drugs, medical devices, dietary supplements and special formula foods for medical purposes in a disguised manner such as introducing health and wellness knowledge is prohibited. When introducing health and wellness knowledge, the addresses, contact information and shopping links of the goods operators or service providers of related medical treatment, drugs, medical devices, dietary supplements and special formula foods for medical purposes shall not be displayed on the same page or at the same time. Internet advertisements should be identifiable so that consumers can recognize them as advertisements. Except in cases where laws or administrative regulations

REGULATORY OVERVIEW

prohibit the publishing or publishing in a disguised manner of advertisements, advertisers who promote goods or services through introducing knowledge, sharing experiences, consumer review and other means and attach shopping links or other purchasing methods shall conspicuously mark “advertisement”.

According to the Guiding Opinions of the State Administration for Market Supervision on Strengthening the Supervision of Online Live Streaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》) (Guo Shi Jian Guang [2020] No. 175) effective from November 5, 2020, goods operators who sell goods or provide services through online live streaming shall comply with relevant laws and regulations and establish and implement a system for the inspection and acceptance of incoming goods. They shall not sell goods or provide services prohibited from being produced and sold by laws and regulations through online live streaming; they shall not publish commercial advertisements prohibited from being published on mass media by laws and regulations through online live streaming; they shall not sell goods or services prohibited from being traded online through online live streaming.

According to the Notice on the Joint Issuance of Opinions on Further Regulating Online Live Streaming Profit-making Activities and Promoting Healthy Industry Development by the Cyberspace Administration of China, the State Taxation Administration and the State Administration for Market Regulation (《國家互聯網信息辦公室、國家稅務總局、國家市場監督管理總局聯合印發<關於進一步規範網絡直播營利行為促進行業健康發展的意見>的通知》) (Shui Zong Suo De Fa [2022] No. 25) effective from March 25, 2022, online live streaming platforms and online live streaming publishers shall not conduct false or misleading commercial promotion for entities engaging in goods production and operation, and the performance, function, quality, origin, awards, qualifications, sales status, transaction information, operating data, user review and other aspects of the goods, deceiving or misleading consumers or the relevant public, and shall not assist other operators in conducting the above-mentioned acts. When online live streaming platforms and online live streaming publishers which sell goods or provide services adopt price comparison approach for promotional activities, they shall conspicuously mark the selling prices, the prices to be compared and the meanings in text form. Online live streaming platforms and online live streaming publishers shall not use service agreements, transaction rules or technical means to unreasonably restrict the transactions or transaction prices of other operators in the live streaming channel, or impose unreasonable conditions, or charge unreasonable fees to the merchants.

We have adopted the following measures to ensure ongoing compliance with relevant laws, regulations and policies in relation to cosmetics advertising, including:

- ***Internal review procedure for advertising content:*** we have established comprehensive internal review procedure to ensure all advertising content complies with relevant laws and regulations. After the Marketing Department and the relevant business units submits draft versions of the proposed advertising content, the internal legal and regulatory team would review and provide revisions and recommendations to ensure that all content is

REGULATORY OVERVIEW

factual, transparent, and non-misleading, avoiding any potential violations that could mislead or deceive consumers. Once the advertising content has been reviewed and revised based on legal and regulatory advice, it undergoes a final examination by the aforementioned departments to ensure complete compliance. Only after this comprehensive review and approval process is the advertising content authorized for publication.

- **Employee training:** we conduct training session for marketing, legal, and relevant business unit employees to keep them informed of current advertising laws and regulations. We also utilize case studies, including past compliance issues and their resolutions, to enhance understanding and application of legal standards in day-to-day operations.
- **Regular monitoring.** We use monitoring tools to track and review live campaigns, ensuring they remain compliant as market conditions and regulatory frameworks evolve.
- **Continuous improvement:** We regularly review and update internal advertising guidelines to reflect new legal developments and industry trends.

Guidelines from the State Administration for Market Regulation (“SAMR”) on Strengthening the Supervision of Online Live Marketing Activities (《關於加強網絡直播營銷活動監管的指導意見》), effective November 5, 2020, clarified the legal responsibilities of network platforms, product operators, and online live streamers. The Cyberspace Administration of China, Ministry of Public Security, Ministry of Commerce, along with other regulatory bodies, introduced a trial Regulations on the Management of Online Live Marketing (《網絡直播營銷管理辦法(試行)》) on April 16, 2021, emphasizing the management of live marketing platforms and personnel responsibilities. In 2022, several agencies provided Further Guidelines to Regulate Celebrity Endorsements (《關於進一步規範明星廣告代言活動的指導意見》) and included product introductions in live streams under advertising regulation. Additionally, the National Radio and Television Administration and the Ministry of Culture and Tourism enforced the Code of Conduct for Network Anchors (《網絡主播行為規範》) on June 8, 2022, to standardize behaviors and punish violations. The SAMR’s Internet Advertising Management Measures (《互聯網廣告管理辦法》), effective May 1, 2023, apply to commercial advertisements via internet media and are governed by advertising laws. Lastly, the Notice on Strengthening the Management of Self-media (《關於加強“自媒體”管理的通知》) published by the Cyberspace Administration on July 5, 2023, which has regulated account operations, enforced strict registration limits, and cracked down on undesirable behaviors.

REGULATORY OVERVIEW

REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (Order No. 15 of the President of the People’s Republic of China) (the “**PRC Company Law**”), which became effective on October 26, 2018, companies may adopt 2 forms: limited liability company or joint stock company. The PRC Company Law is also applicable to the limited liability companies and joint stock companies invested by foreigners, unless otherwise specified in the relevant laws and regulations.

According to the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (Order No. 15 of the President of the People’s Republic of China), which was last amended on December 29, 2023 and would become effective on July 1, 2024, limited liability companies and joint stock companies can be established in the PRC. Liabilities of shareholders of a limited liability company are limited to the contributions which they have subscribed. Liabilities of shareholders of a joint stock company are limited to the amount of capital they are legally obliged to contribute for the shares for which they have subscribed.

According to the Administrative Regulations of the People’s Republic of China on Market Entities Registration (《中華人民共和國市場主體登記管理條例》) (Order No. 746 of the State Council of the People’s Republic of China), which became effective on March 1, 2022, unregistered entities shall not engage in business activities in the name of market entities. Exceptions shall be applied to those for which registration is not required pursuant to the provisions of laws and administrative regulations. According to the Implementing Rules for the Administrative Regulations of the People’s Republic of China on Market Entities Registration (《中華人民共和國市場主體登記管理條例實施細則》) (Order No. 52 of the State Administration for Market Regulation), which became effective on March 1, 2022, the State Administration for Market Regulation shall be in charge of unified registration and administration of market entities nationwide, formulate systems and measures for registration and administration of market entities, promote whole-process electronic registration, standardize registration activities, and guide local registration authorities to carry out registration and administration in accordance with the law in an orderly manner. The local market supervision and management department at or above the county level shall be in charge of the registration and management of market entities in its jurisdiction.

According to the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (Order No. 26 of the President of the People’s Republic of China) (the “**Foreign Investment Law**”), which became effective on January 1, 2020, the Foreign Investment Law is formulated to further expand opening up, actively promote foreign investment, protect the legitimate rights and interests of foreign investment, standardize foreign investment management, facilitate the formation of a comprehensive and new opening-up pattern, and promote the healthy development of the socialist market economy. Foreign natural persons, enterprises or other organizations may directly or indirectly conduct investment activities within the territory of the PRC. Foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment refers to the treatment given to foreign investors and their investment at the

REGULATORY OVERVIEW

stage of investment admission no less than that to domestic investors and their investments. The State gives national treatment to foreign investment outside the negative list. The negative list refers to the special management measures that are adopted for the admission of foreign investment in specific areas. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

According to the Implementing Rules of the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) (Order No. 723 of the State Council of the People's Republic of China), which became effective on January 1, 2020, foreign investors and foreign-invested enterprises may enjoy preferential treatment in fiscal, taxation, financial, land use and other areas in accordance with laws, administrative regulations or regulations of the State Council. Foreign investors who expand investment in China with proceeds from investment made in China are entitled to corresponding preferential treatment in accordance with the law. According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) (Order No. 37 of the National Development and Reform Commission of the People's Republic of China and the Ministry of Commerce of the People's Republic of China), which became effective on January 18, 2021, investing activities conducted by a foreign investor directly or indirectly in the territory of China that affects or may affect national security shall be subject to security review. Foreign investment security review is divided into general review and special review. During the review period, the parties shall not make investments. If the foreign investment has passed the security review decision, the parties concerned may implement the investment.

Foreign Investment Industrial Policy

Investment activities in China by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) (the “**Encouraging Catalog**”), and the Special Administrative Measures for Access of Foreign Investments (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”), which were promulgated and are amended from time to time by the Ministry of Commerce of the People's Republic of China (the “**Ministry of Commerce**”) and the National Development and Reform Commission (the “**NDRC**”), and together with the Foreign Investment Law and their respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: “encouraged,” “restricted,” and “prohibited.” Industries not listed in the Encouraging Catalog are generally deemed as falling into a fourth category “permitted” unless specifically restricted by other PRC laws.

According to the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (Order No. 52 of the National Development and Reform Commission of the People's Republic of China and the Ministry of Commerce of the People's Republic of China), which became effective on January 1, 2023, the Catalog of Industries for Encouraging Foreign Investment includes the National Catalog of Industries for Encouraging

REGULATORY OVERVIEW

Foreign Investment and the Catalog of Advantageous Industries for Foreign Investment in the Central and Western Regions, and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) that came into effect on December 27, 2020 shall be abolished. According to the Special Administrative Measures for Access of Foreign Investments (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (Order No. 47 of the National Development and Reform Commission of the People's Republic of China and the Ministry of Commerce of the People's Republic of China), which became effective on January 1, 2022, foreign-invested enterprises investing in China shall comply with the relevant provisions of the negative list for foreign investment access, and the Negative List for Foreign Investment Access (2020 Version) (《外商投資准入負面清單(2020年版)》) issued by the NDRC and the Ministry of Commerce on June 23, 2020 shall be abolished.

REGULATIONS RELATING TO PRODUCT LIABILITY AND CONSUMER PROTECTION

According to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) (Order No. 22 of the President of the People's Republic of China), which became effective on September 1, 1993 and was last amended and implemented on December 29, 2018, it is prohibited to produce or sell industrial products which do not conform to the standards and requirements for the protection of human health and personal and property safety. Manufacturers shall be responsible for the quality of products they produce. The marks on the products or the packages thereof shall be authentic. Sellers shall establish and implement the system of examination and acceptance of goods procured, to verify the product quality certificates and other marks. Sellers shall adopt measures to maintain the quality of products for sale. Sellers may not sell any product that is eliminated and the sale of which is stopped by State orders, or any expired and deteriorated product. Manufacturers shall be responsible for compensating for the injury to a person or damage to property other than the defective products per se due to the defects of products. Sellers shall be responsible for compensation if the injury to a person or damage to the property of others are caused by defects resulting from the fault on the part of sellers. If personal injury or damage to the property of others is caused due to the defects of products, the victims may claim for compensation from either the manufacturers or sellers. Manufacturers or sellers producing or selling sub-standard and prohibited products shall be ordered to stop production and sale; the products illegally produced and sold shall be confiscated; a high fine shall be imposed upon the manufacturer or seller; where there are illegal proceeds, such proceeds shall be confiscated; if the circumstances are serious, the business license shall be revoked. If crimes are constituted, criminal liabilities shall be investigated.

According to the Civil Code of the People's Republic of China (《中華人民共和國民法典》) (Order No. 45 of the President of the People's Republic of China) (the “**PRC Civil Code**”), which became effective on January 1, 2021, where a defect of a product causes damage to another person, the manufacturer shall bear tort liability, the infringed person may claim compensation against the manufacturer or the seller of the product. Where a defect is caused by the manufacturer, the seller who has paid compensation has the right to indemnification against the manufacturer. Where a defect is caused by the fault of the seller,

REGULATORY OVERVIEW

the manufacturer who has paid compensation has the right to indemnification against the seller. Where the damage is caused by a defect of a product due to the fault of a third person, such as a transporter or a warehouse, the manufacturer or seller of the product shall, after paying compensation, have the right to indemnification against the third person. Where a manufacturer or seller manufactures or sells a product knowing that the product is defective, or failing to take remedial measures, so that death or serious physical harm is caused to another person, the infringed person has the right to request for the corresponding punitive damages.

According to the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) (Order No. 7 of the President of the People's Republic of China), which became effective on January 1, 1994 and was last amended and implemented on March 15, 2014, consumers shall, in their purchasing and using commodities or receiving services, enjoy the right of the inviolability of their personal and property safety. Consumers shall enjoy the right to obtain true information of the commodities they purchase and use or the services they receive, the right of free choice of commodities or services, the right of fair deal, the right that their human dignity, national customs and habits are respected, and the right to have personal information protected in accordance with the law. Business operators shall, in their supply of commodities and services to consumers, comply with the provisions of this law.

According to the E-Commerce Law of the People's Republic of China (《中華人民共和國電子商務法》) (Order No. 7 of the President of the People's Republic of China), which became effective on January 1, 2019, e-commerce business operators shall mean natural persons, legal persons and unincorporated organizations that engage in business activities of sale of goods or provision of services through Internet and other information network, including e-commerce platform operators, business operators using the platform, and e-commerce business operators that sell goods or provide services through their own website or other network services. E-commerce business operators engaging in business activities shall adhere to the principles of voluntary participation, equality, fairness and integrity, comply with laws and business ethics, participate in market competition fairly, perform the obligations of consumer rights and interests protection, environmental protection, intellectual property protection, cybersecurity and protection of personal information, etc., undertake product and service quality responsibilities, and accept government and public supervision. According to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases of Disputes over Online Consumption (I) (《最高人民法院關於審理網絡消費糾紛案件適用法律若干問題的規定(一)》) (Fa Shi [2022] No. 8), which became effective on March 15, 2022, the standard clauses provided by the e-commerce operators in the relevant circumstances are invalid, and provisions are made on the recognition of responsible parties of e-commerce operation and civil liabilities in live-streaming marketing. Pursuant to currently effective PRC laws and regulations regarding product liability, the Company may be held liable for damages caused to others due to defects in its products. The Company confirmed, during the Track Record Period and up to the Latest Practicable Date, it did not receive any product quality complaints from consumers that had a material adverse impact on its operations, and in line with the industry practice, the Company has not purchased any product liability insurance.

REGULATORY OVERVIEW

REGULATIONS RELATING TO UNFAIR COMPETITION

According to 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》) (Order No. 29 of the President of the People's Republic of China) (the “**Anti-Unfair Competition Law**”), which became effective on December 1, 1993 and was last amended and implemented on April 23, 2019, act of unfair competition means that in its production or distribution activities, an operator disrupts the order of market competition and causes damage to the lawful rights and interests of the other businesses or consumers, in violation of the Anti-Unfair Competition Law. Operators shall, in their production and distribution activities, adhere to the principles of voluntary participation, equality, fairness and integrity, and comply with laws and business ethics. Operators who violate the provisions of the Anti-Unfair Competition Law will bear corresponding civil, administrative or criminal liabilities according to the specific circumstances.

According to the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) (Order No. 60 of the State Administration for Industry and Commerce of the People's Republic of China) (the “**Provisions on Banning Commercial Bribery**”), which became effective on November 15, 1996, commercial bribery refers to an act of offering money or property or using other means by an operator to the other entity or individual for the purposes of selling or buying goods, among which other means refer to the means used to provide any types of benefits other than money or property. Operators who sell or purchase goods through bribery may be fined and have the illegal proceeds confiscated, depending on the circumstances; if a crime is committed, the operator will be held criminally liable in accordance with the law.

LAWS AND REGULATIONS RELATING TO LAND AND THE DEVELOPMENT OF CONSTRUCTION PROJECTS

Regulations on Land Grants

According to the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (Order No. 32 of the President of the People's Republic of China) (the “**Land Administration Law**”), which became effective on January 1, 2020, the land can be classified by use into agricultural land, construction land, and unused land. The construction land can be further classified into state-owned and collectively managed construction land, and land users may obtain the land use right of the construction land according to the Land Administration Law.

Regulations on Planning of a Construction Project

According to the Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》) (Order No. 29 of the President of the People's Republic of China), which became effective on April 23, 2019, for a construction project for which the right to use of state-owned land is extended through transfer, the construction unit shall, after obtaining the approval, verification and the recorded documents and signing the contract for

REGULATORY OVERVIEW

transfer of the right to use of state-owned land, apply to the department in charge of urban and rural planning for a permit for planned use of land for construction. For the construction of buildings, structures, roads, pipelines and other projects in an area covered by the plan of a city or town, the construction unit or individual shall apply for a permit for a planned construction project to the department in charge of urban and rural planning.

After obtaining a permit for a planned construction project, subject to certain exceptions, a construction unit shall, before the commencement of the construction work, apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above in accordance with the Construction Law of the People's Republic of China (《中華人民共和國建築法》) (Order No. 29 of the President of the People's Republic of China), which became effective on April 23, 2019.

According to the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) (Order No. 714 of the State Council of the People's Republic of China), which became effective on April 23, 2019, and the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) (Order No. 2 of the Ministry of Housing and Urban-Rural Development of the People's Republic of China), which became effective on October 19, 2009, after the construction unit receives a project completion report, it shall organize the entities of design, construction, project supervision, etc. to conduct completion-based check and acceptance. A construction unit shall conduct filing with the competitive construction department of government at or above the county level at the place where the project is located within 15 days from the date on which the as-built inspection of the project is passed.

REGULATIONS ON LEASING

According to the Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (Order No. 32 of the President of the People's Republic of China), which became effective on January 1, 2020, when leasing a house, the lessor and lessee shall sign a written lease contract, prescribing such provisions as the leasing term, use of the house, rental and repair liabilities, and other rights and obligations of both parties; and go through registration procedures for record with the real estate administration department.

According to the PRC Civil Code, a lessee may, upon the lessor's consent, sublease the leased object to a third person. The lease contract between the lessee and the lessor shall continue to be valid despite the sublease by the lessee, and if the third person causes loss to the leased object, the lessee shall bear the liability for compensation. Where a lessee subleases the leased object without the consent of the lessor, the lessor may rescind the contract. Where a lessee, upon consent of the lessor, subleases the leased object to a third person, if the term of the sublease exceeds the remaining term of the lessee, the sublease in the period in excess of the original term shall not be legally binding on the lessor unless otherwise agreed by the lessor and the lessee.

REGULATORY OVERVIEW

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (Order No. 6 of the Ministry of Housing and Urban-Rural Development of the People's Republic of China), which became effective on February 1, 2011, the parties to the house leasing shall sign a lease contract according to laws, and the lease contract shall be registered with the relevant construction or real estate authorities at the city or county level within 30 days after its signing. If the contents of the house lease registration and filing are changed, the lease is renewed or the lease is terminated, the parties concerned shall, within 30 days, go to the original lease registration and filing department to go through the formalities for the modification, renewal or cancelation of the house lease registration and filing. A house falling within any of the following circumstances may not be leased: (i) it is an illegally built house; (ii) it fails to conform to the mandatory standards for project construction with respect to safety and disaster prevention; (iii) the original use of the house has been changed in violation of the relevant provisions; or (iv) it falls within any other circumstance under which it is prohibited by any law or regulation from being leased. If the parties involved in the house leasing fail to go through the registration and filing procedures or violate the above regulations, the parties involved in the house leasing will be ordered to make corrections, and if they fail to make corrections within the time limit, they will be fined.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND WORK SAFETY

Environmental Impact Appraisal

According to the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) (Order No. 682 of the State Council of the People's Republic of China), which became effective on November 29, 1998 and was last amended and implemented on October 1, 2017, depending on the impact of the construction project on the environment, a construction unit shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction unit shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction unit shall not commence the construction.

According to the Law of the People's Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) (Order No. 24 of the President of the People's Republic of China), which became effective on September 1, 2003 and was last amended and implemented on December 29, 2018, depending on the impact of the construction project on the environment, a construction unit shall prepare an environmental impact report or an environmental impact statement, or file a registration form. Where any construction unit fails to submit the environmental impact report and environmental impact statement of the construction project for examination and approval according to the law, or fails to submit a new

REGULATORY OVERVIEW

report for approval or re-examine the environmental impact report and environmental impact statement in accordance with the provisions of this Law, and commences construction without authorization, it may be ordered to stop the construction, and according to the seriousness and consequences of the violation, be fined and ordered to restore the original state.

REGULATIONS ON CYBERSECURITY AND PRIVACY

According to the Constitution of the People's Republic of China (《中華人民共和國憲法》) (Announcement No. 1 of the National People's Congress of the People's Republic of China), which became effective on March 11, 2018, it is clearly stipulated that the freedom of communication and privacy of Chinese citizens are protected by Chinese laws and are inviolable rights. Chinese government authorities have promulgated laws and regulations relating to information security on the Internet and the protection of personal information from misuse or unauthorized disclosure, including the Decision of the Standing Committee of the National People's Congress on Preserving Network Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》), which became effective on December 28, 2000 and was amended and implemented on August 27, 2009, the Provisions on the Technical Measures for the Protection of the Security of the Internet (《互聯網安全保護技術措施規定》) (Order No. 82 of the Ministry of Public Security of the People's Republic of China), which became effective on March 1, 2006, the Decision of the Standing Committee of the National People's Congress on Strengthening Information Protection on Networks (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》), which became effective on December 28, 2012, and the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) (Order No. 20 of the Ministry of Industry and Information Technology of the People's Republic of China), which became effective on March 15, 2012.

The Provisions on Protecting the Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》) (Order No. 20 of the Ministry of Industry and Information Technology of the People's Republic of China) (the “**Provisions on Protecting the Personal Information**”), which became effective on September 1, 2013, regulates collection and use of users' personal information in the process of provision of telecommunications services and Internet information services within the territory of China. Telecommunications service operators and Internet information service providers shall formulate the rules for collection and use of users' personal information and publish such rules in their business or service premises or on their websites, among others. Without the consent of users, no telecommunications service operator or Internet information service provider may collect and use users' personal information. When collecting and using users' personal information, telecommunications service operators and Internet information service providers shall clearly inform users of the purpose, manner and scope for collection and use of information, the channels for inquiry and correction of information, the consequences from refusal to provide information and other relevant matters. Telecommunications service operators, Internet information service providers and their employees shall keep users' personal information collected and used in the course of providing services strictly confidential, and shall not disclose, falsify, destroy, sell or illegally provide it to others.

REGULATORY OVERVIEW

Telecommunications service operators and Internet information service providers shall stop collecting and using users' personal information after users terminate their use of telecommunications services or Internet information services, and provide users with services to cancel their numbers or accounts.

The Provisions on Protecting the Personal Information further define that users' personal information means a user's name, date of birth, identity card number, address, telephone number, account number, passwords and other information with which the identity of the user can be distinguished independently or in combination with other information, as well as the time, and place of the user using the service and other information. In addition, according to the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Infringing on Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (Fa Shi [2017] No. 10), which became effective on June 1, 2017, personal information means all kinds of information recorded in electronic form or any other form, which can be used, independently or in combination with other information, to identify personal identity or reflect personal activities, including but not limited to the person's name, identity certificate number, communication and contact information, address, account number, password, property status, and whereabouts.

According to the Amendment (IX) to the Criminal Law of the People's Republic of China (《中華人民共和國刑法修正案(九)》) (Order No. 30 of the President of the People's Republic of China), which became effective on November 1, 2015, any network service provider that fails to perform the information network security management obligation as prescribed in any law or administrative regulation and refuses to make corrections after being ordered by the regulatory authority to take correction measures shall be sentenced to criminal penalties under any of the following circumstances: (i) causing the spread of a large amount of illegal information; (ii) causing the leakage of users' information, with serious consequences; (iii) causing the loss of criminal case evidence, with serious circumstances; or (iv) any other serious circumstance. In addition, any individual or entity that (i) sells or provides to any other person any personal information in violation of any relevant regulations, or (ii) illegally obtains any personal information by stealing or other methods shall be subject to criminal penalties if the circumstances are serious.

According to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) (Order No. 53 of the President of the People's Republic of China), which became effective on June 1, 2017, network operators shall take technical measures and other necessary measures to ensure the security of the personal information they have collected and prevent such information from being divulged, damaged or lost. If personal information has been or may be divulged, damaged or lost, it is necessary to take remedial measures immediately, inform users in time according to the provisions and report to the relevant competent departments. In addition, according to the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) (Order No. 84 of the President of the People's Republic of China) (the "**Data Security Law**"), which became effective on September 1, 2021, "data" means any record of information in electronic or any other form. "Data

REGULATORY OVERVIEW

processing” includes but is not limited to the collection, storage, use, processing, transmission, provision, and public disclosure of data. In data processing, a sound data security management system throughout the whole process shall be established, data security education and training shall be organized and conducted, and corresponding technical measures and other necessary measures shall be adopted to ensure data security. Moreover, according to the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Measures for Review**”) (Order No. 8 of the Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the Ministry of Commerce of the People’s Republic of China, the People’s Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the China Securities Regulatory Commission, the National Administration of State Secrets Protection, and the State Cryptography Administration), which became effective on February 15, 2022, online platform operators holding personal information of more than 1 million users seeking to be listed abroad shall apply for the cybersecurity review to the office of cybersecurity review. Critical information infrastructure operators purchasing network products and services shall predict the national security risks that may arise after the products and services are put into use. If it affects or may affect national security, a cybersecurity review should be declared to the office of cybersecurity review.

According to the Notice of the Cyberspace Administration of China on the Solicitation of Public Opinions on Regulations on the Administration of Cyber Data Security (Draft for Comments) (《國家互聯網信息辦公室關於〈網絡數據安全管理條例(徵求意見稿)〉公開徵求意見的通知》) (the “**Draft Regulations on Cyber Data Security**”) issued on November 14, 2021, data processing operators processing personal information of more than 1 million users and seeking to be listed abroad or data processing operators seeking to be listed in Hong Kong, which affects or may affect the national security, shall apply for the cybersecurity review in accordance with the relevant provisions of the State. Furthermore, according to the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》) (Order No. 11 of the Cyberspace Administration of China), which became effective on September 1, 2022, to provide data abroad under any of the following circumstances, a data processing operator shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through the local provincial cyberspace administration: (i) the data processing operator provides important data abroad; (ii) the critical information infrastructure operator or the data processing operator processing personal information of more than 1 million users provides personal information abroad; (iii) the data processing operator that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

REGULATORY OVERVIEW

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

China is a signatory to the primary international conventions on intellectual property rights and has been a member of the Agreement on Trade Related Aspects of Intellectual Property Rights since its accession to the World Trade Organization in December 2001.

Copyright

According to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) (Order No. 62 of the President of the People's Republic of China) (the “**Copyright Law**”), which became effective on June 1, 2021, copyright protection is extended to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. According to the Copyright Law, Chinese citizens, legal persons, or other organizations shall own copyright in their copyrightable works, whether published or not, which include ingenious intellectual achievements in the fields of literature, art and science that can be presented in a certain form. Copyright owners enjoy certain legal rights, including a series of personal rights and property rights, such as the right of publication, the right of authorship, the right of alteration, the right of reproduction and the right of integrity. An infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of copyright owners. Infringers of copyright may also subject to fines and/or administrative or criminal liabilities in severe situations.

Trademark

According to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) (Order No. 29 of the President of the People's Republic of China), which became effective on November 1, 2019, the Trademark Office of the administrative department for industry and commerce under the State Council shall take charge of trademark registration and administration across the country. The administrative department for industry and commerce under the State Council shall establish a Trademark Review and Adjudication Board responsible for resolving trademark disputes. The period of validity of a registered trademark shall be 10 years, commencing from the day when the registration is approved. Where a trademark registrant intends to continue using the registered trademark upon expiry of the validity period of registration, the trademark registrant shall go through the renewal procedure within 12 months prior to the expiry date in accordance with relevant provisions; where the registrant fails to do so during the said time limit, an extension of six months may be granted. Each renewal of registration shall be valid for ten years calculating from the date immediately following the expiry date of the last validity period of the trademark. If no application for renewal is filed upon the expiry of the extension period, the registered trademark shall be canceled. The Implementing Regulations of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) (Order No. 651 of the State Council of the People's Republic of China), which became effective on May 1, 2014, sets out the requirements of applying for trademark registration and renewal.

REGULATORY OVERVIEW

Patent

According to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》) (Order No. 55 of the President of the People’s Republic of China) (the “**Patent Law**”), which became effective on June 1, 2021, and the Implementation Rules of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》) (the “**Implementation Rules of the Patent Law**”), which became effective on January 20, 2024, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within the respective administrative areas. The Patent Law and the Implementation Rules of the Patent Law provide for three types of patents, namely inventions, utility models and designs. Invention patents are valid for twenty years, while utility model patents are valid for ten years, and design patents are valid for fifteen years, in each case from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (Order No. 43 of the Ministry of Industry and Information Technology of the People’s Republic of China), which became effective on November 1, 2017, domain name owners are required to register their domain names, while the Ministry of Industry and Information Technology is responsible for managing China’s Internet domain names. In principle, domain name services are implemented on a “first applied, first registered” basis. Applicants for domain name registration should provide true, accurate and complete domain name registration information and sign a registration agreement with the domain name registration service provider.

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Administrative Regulations on Foreign Exchange of the People’s Republic of China (《中華人民共和國外匯管理條例》) (Order No. 532 of the State Council of the People’s Republic of China) (the “**Foreign Exchange Regulations**”), which became effective on April 1, 1996 and was last amended and implemented on August 5, 2008, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the competent authorities for the administration of foreign exchange is obtained. According to the Foreign Exchange Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange

REGULATORY OVERVIEW

without the approval of the SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.) or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. Those enterprises are also allowed to retain foreign currency (subject to a cap approved by the SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and the approval or filings with the relevant government authorities (if necessary).

According to the Circular of the SAFE on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) (the “**Circular 13**”), which became effective on June 1, 2015 and was last amended and implemented on December 30, 2019, banks shall, in accordance with the Circular 13, directly verify and handle the registration of foreign exchange under domestic and overseas direct investment, while the SAFE and its branches shall conduct through banks indirect regulation over registration of foreign exchange.

According to the Circular of the SAFE Concerning Reform of the Administrative Approaches to Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (Hui Fa [2015] No. 19), which became effective on June 1, 2015 and was last amended on December 30, 2019, foreign-invested enterprises conduct voluntary settlement of foreign exchange. Voluntary settlement means that foreign exchange capital in the foreign-invested enterprises’ capital account, recognized by the local foreign exchange authority as the right and interest of cash contribution (or registered by the bank for accounting entry of cash contribution), can be settled in banks according to its actual business requirements. The provisional percentage for the voluntary settlement of foreign exchange capital of foreign-invested enterprises is 100 percent. RMB funds from the voluntary settlement of foreign exchange capital are included in management of accounts for foreign exchange settlement and pending payment. If a foreign-invested enterprise needs to make further payments through this settlement account, it still needs to provide supporting documents and go through the bank’s examination and approval process.

According to the Circular of the SAFE on the Policies for Reforming and Standardizing Management of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) (the “**Circular 16**”), which became effective on June 9, 2016 and was last amended on December 4, 2023, domestic players, Chinese or foreign-invested enterprises, but not financial institutions, can go through foreign exchange settlement procedures for their external debt at their discretion. Circular 16 sets out uniform standards for the voluntary settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital, external debt and funds recovered from overseas listing), and applies to all enterprises incorporated in China. Circular 16 stipulates that a domestic institution shall comply with the following regulations in using

REGULATORY OVERVIEW

foreign exchange receipts under the capital account and the RMB funds gained from foreign exchange settlement: (I) they shall not be used directly or indirectly as the expenses beyond the business scope or the expenses prohibited by laws and regulations; (II) unless otherwise expressly specified, they shall not be used directly or indirectly in securities investment or other investment and wealth management except for financial products and structured deposits with risk rating results not higher than level 2; (III) they shall not be used to issue loans to non-associated companies, except the cases expressly allowed in the business scope; (IV) they shall not be used to buy non-self-use real estate (excluding enterprises engaged in real estate development and real estate leasing).

According to the Circular of the SAFE on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), which became effective on October 23, 2019 and was last amended on December 4, 2023, while investment-oriented foreign investors (including foreign investment companies, foreign venture capital investment companies and foreign equity investment companies) are allowed for domestic equity investments with their capital in compliance with laws and regulations, non-investment-oriented foreign investors shall also be allowed to make domestic equity investments with their capital, provided that they comply with the existing special management measures on market access for foreign investors (negative list) and the projects they intend to invest in are authentic and comply with regulations.

According to the Circular of the SAFE on Further Deepening Reforms to Promote Cross-Border Trade and Investment Facilitation (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (Hui Fa [2023] No. 28), which became effective on December 4, 2023, domestic equity transferors (including institutions and individuals) may remit directly into the capital project settlement account the funds received from domestic entities as consideration for equity transfers paid in foreign currencies, as well as the foreign exchange funds raised by domestic enterprises listed abroad. The funds in the capital project settlement account can be independently settled and utilized. Funds received by a domestic equity transferor from a foreign-invested enterprise as consideration for equity transfer paid in RMB funds derived from foreign exchange settlement (from RMB funds in the account for direct foreign exchange settlement or in the account for settlement of foreign exchange pending payment) may be directly transferred to the RMB account of the domestic equity transferor.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (Order No. 23 of the President of the People's Republic of China) (the “**Corporate Income Tax Law**”), which became effective on January 1, 2008 and was last amended and implemented on December 29, 2018, and the Implementing Rules of the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (Order No. 714 of the State Council of the People's Republic of China), which became effective on January 1, 2008 and was amended and implemented on April 23, 2019,

REGULATORY OVERVIEW

within the territory of the People's Republic of China, enterprises and other organizations that derive income shall pay enterprise income tax. Enterprises are classified into resident and non-resident enterprises according to the Corporate Income Tax Law. Resident enterprise refers to an enterprise that is established inside China, or which is established under the law of a foreign country (region) but whose actual office of management is inside China. Such enterprises are subject to enterprise income tax at a flat rate of 25% on their worldwide income. It also provides that qualified "small profit enterprises" are subject to a reduced enterprise income tax rate of 20%, while "advanced and new technology enterprises," which the government of China needs to support, are subject to a reduced enterprise income tax rate of 15%. Under certain circumstances, enterprise income tax may be exempted or reduced, or may be subject to preferential enterprise income tax rates.

Value Added Tax

According to the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例》) (Order No. 691 of the State Council of the People's Republic of China), which became effective on January 1, 1994 and was last amended and implemented on November 19, 2017, and the Implementation Rules of the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) (Order No. 65 of the Ministry of Finance of the People's Republic of China), which became effective on December 25, 1993 and was last amended and implemented on November 1, 2011, entities and individuals that sell goods or labor services of processing, repair or replacement, or import goods within the territory of China shall pay value-added tax (the "VAT"). Unless otherwise indicated, the VAT rates on sales of goods and services are 17% and 6%, respectively.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32) (the "Circular 32"), which became effective on May 1, 2018, (i) the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively; (ii) the deduction rate of 11% applicable to any taxpayer's purchase of agricultural products shall be adjusted to 10%; (iii) where a taxpayer purchases the agricultural products used for production and sale or consigned processing of goods to which the tax rate of 16% applies, the input tax shall be calculated at the deduction rate of 12%; (iv) the tax rates of 17% and export tax rebate rate of 17% applicable to export goods shall be adjusted to 16% for export tax rebate rate; and (v) the tax rates of 11% and export tax rebate rate of 11% applicable to export goods and cross-border taxable acts shall be adjusted to 10% for export tax rebate rate. In addition, according to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the VAT Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) (Announcement No. 39 of 2019 of the Ministry of Finance of the People's Republic of China, the State Taxation Administration and the General

REGULATORY OVERVIEW

Administration of Customs of the People's Republic of China), which became effective on April 1, 2019, if the general taxpayers of VAT have VAT taxable sales behavior or import goods, the VAT rate for them originally subject to 16% and 10% will drop to 13% and 9%, respectively.

Urban Maintenance and Construction Tax and Educational Surcharges

According to the Urban Maintenance and Construction Tax Law of the People's Republic of China (《中華人民共和國城市維護建設稅法》) (Order No. 51 of the President of the People's Republic of China), which became effective on September 1, 2021, the payers of excise tax and VAT are taxpayers of urban maintenance and construction tax, and shall pay urban maintenance and construction tax in accordance with the provisions of this Law. The tax rates shall be: 7% for taxpayers the domiciles of which/who are in urban areas; 5% for taxpayers the domiciles of which/who are in county or township centers or; 1% for taxpayers the domiciles of which/whom are in places other than urban areas, county and township centers.

According to the Interim Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) (Order No. 588 of the State Council of the People's Republic of China), which became effective on July 1, 1986 and was last amended and implemented on January 8, 2011, taxpayers of consumption tax, VAT and business tax shall pay educational surcharges. The tax rate of education surcharges shall be 3% of the actual amount of VAT, business tax and consumption tax paid by the entities and individuals and paid at the same time respectively along with the VAT, business tax and consumption tax. It also provides that all education surcharges paid by enterprises shall be paid out of sales revenue (or business income).

Stamp Duty

According to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》) (Order No. 89 of the President of the People's Republic of China), which became effective on July 1, 2022, the entities and individuals that conclude taxable certificates, or conduct securities transactions shall be taxpayers of stamp duty. Taxable certificates include written contracts (loan contracts, financial lease contracts, purchase and sale contracts, contract for contracting, construction contracts, transportation contracts, technology contracts, leasing contracts, warehousing contracts, custodial contracts, property insurance contracts, etc.), certificates of property rights transfer, business account books, securities transactions, etc.

REGULATORY OVERVIEW

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL BENEFITS

According to the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (Order No. 73 of the President of the People's Republic of China) (the “**Labor Contract Law**”), which became effective on January 1, 2008 and was last amended and implemented on July 1, 2013, and the Regulation on the Implementation of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council of the People's Republic of China) (the “**Regulation on the Implementation of the Labor Contract Law**”), which became effective on September 18, 2008, to establish a labor relationship, a written labor contract shall be concluded. If the employer has not concluded a written employment contract with the employee for more than one month and less than one year from the date of employment, the employer shall rectify the situation by concluding a written employment contract with the employee and paying the employee double the amount of the employee's salary for the period from the day following the expiration of one month from the date of the establishment of the employment relationship to the day prior to the conclusion of the written employment contract. The Labor Contract Law and the Regulation on the Implementation of the Labor Contract Law also provide for compensation to be paid in certain cases of termination. In addition, an employer that intends to enforce the non-competition provisions of an employment contract or non-competition agreement with an employee is required to pay monthly compensation to the employee for a limited period of time following the termination or expiration of the employment contract. In most cases, the employer is also required to pay severance pay to the employee upon termination of the employment relationship.

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) (Order No. 25 of the President of the People's Republic of China) (the “**Social Insurance Law**”), which became effective on July 1, 2011 and was amended and implemented on December 29, 2018, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (Order No. 710 of the State Council of the People's Republic of China), which became effective on January 22, 1999 and was last amended and implemented on March 24, 2019, and the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》) (Order No. 710 of the State Council of the People's Republic of China) (the “**Regulation on the Administration of Provident Funds**”), which became effective on April 3, 1999 and was last amended and implemented on March 24, 2019, Chinese enterprises are required to participate in certain employee benefit schemes, including social insurance funds and housing accumulation funds, and to contribute to the funds an amount equal to a percentage of the salaries of the employees as prescribed from time to time by the local government of the place where the enterprise conducts business or where the enterprise is located.

According to the Social Insurance Law, an employer shall, within thirty days from the date of incorporation of the entity, proceed with the business license, registration certificate or entity seal to the local social insurance agency to apply for social insurance registration. An employer shall, within thirty days after taking on labor, proceed to the social insurance agency to apply for social insurance registrations on behalf of the employees. When an employer fails

REGULATORY OVERVIEW

to process social insurance registration, the social insurance administrative department shall deliver to the employer concerned an order for rectification within a prescribed period. When rectification does not occur at the expiry of the prescribed period, the employer shall be liable for a fine in excess of its assessed social insurance contribution but less than its triple, and the principals who bear direct responsibilities and other persons with direct responsibilities shall be liable for a fine over RMB500 but less than RMB3,000. In addition, each employer shall declare on its own and pay on time and in full social insurance contributions. The payment shall not be deferred, or lowered in amount or exempted unless due to lawful causes such as force majeure. When an employer fails to pay social insurance contributions on time and in full, the social insurance contributions collecting agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment fine at the rate of 0.05% per day shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine of not less than one time but not more than three times the amount of the arrears shall be demanded by the authoritative administrative department.

The Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated by the General Office of the Ministry of Human Resources and Social Security on September 21, 2018, an urgent notice was issued on stabilizing the collection of social insurance contributions, pursuant to which regions that undertake the functions and responsibilities of collecting and settling social insurance contributions shall properly deal with the problem of historical unpaid arrears, and be strictly prohibited to centrally collect the historical unpaid arrears of the enterprise by themselves, and those who have already carried out centralized collection shall be rectified immediately and properly do follow-up work.

The Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》) promulgated by the State Taxation Administration on November 16, 2018, requiring that tax authorities at all levels shall ensure the stability of payment methods during the reform of the social insurance contributions collection and management mechanism, and not organize self-collection of arrears of taxpayers including private enterprises from the previous years.

The Notice on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《關於印發<降低社會保險費率綜合方案>的通知》) promulgated by the General Office of the State Council on April 1, 2019, clearly requiring that the historical unpaid arrears of the enterprises shall be properly treated, and in the process of reformation of the collection system, it is not allowed to conduct self-collection of historical unpaid arrears from enterprises, and it is not allowed to adopt any method of increasing the actual payment burden of small and micro enterprises to avoid causing difficulties in the production and operation of the enterprises.

REGULATORY OVERVIEW

The Opinions on Carrying out the 2021 “I Do Practical Things for Taxpayer Payers and Facilitate the People’s Tax Spring Breeze Action” (《關於開展2021年“我為納稅人繳費人辦實事暨便民辦稅春風行動”的意見》) promulgated by the State Taxation Administration on February 11, 2021, requiring the implementation of the State Council’s “two prohibitions” work requirements, and orderly carrying out normal collection of social insurance contributions, and it is not allowed to conduct self-collection of historical unpaid arrears from enterprises, and it is not allowed to increase the actual payment burden of small and micro enterprises due to the transfer of social insurance contributions collection responsibilities.

According to the Regulation on the Administration of Provident Funds, a newly established entity shall, within 30 days from the date of its establishment, undertake registration of payment and deposit of housing provident fund with a housing provident fund management center, and within 20 days from the date of the registration, go through the formalities of opening housing provident fund accounts on behalf of its staff and workers. Otherwise, the housing provident fund management center shall deliver to the entity concerned an order for rectification within a prescribed period. When rectification does not occur at the expiry of the prescribed period, the entity shall be liable for a fine over RMB10,000 but not less than RMB50,000. Also, entities shall pay housing provident funds on time and in full, and shall not be overdue in the payment and deposit or underpay. If an entity fails to pay housing fund contributions within a time limit or underpays housing fund contributions, it shall be ordered by the housing fund management center to pay the outstanding housing fund contributions within a time limit; if it fails to pay the outstanding housing fund contributions within the time limit, the housing fund management center may apply to the people’s court for enforcement.

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) (Order No. 22 of the Ministry of Human Resources and Social Security of the People’s Republic of China), which became effective on March 1, 2014, the employers can only use dispatched workers in temporary, auxiliary, or alternative jobs, and the number of dispatched workers employed shall not exceed 10% of its total employment. According to the Labor Contract Law, if a labor dispatch unit or an employer violates the relevant provisions, the labor administrative department shall order it to make corrections within a time limit; if it fails to make corrections within the time limit, it shall be liable for a fine over RMB5,000 and less than RMB10,000 per person. If the employer causes damage to the dispatched worker, the labor dispatch unit and the employing unit shall be jointly and severally liable for compensation.

REGULATIONS AND LAWS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (Announcement [2023] No. 43 of the China Securities Regulatory Commission) (the “**Trial Measures of Overseas Listing**”), which became effective on March 31, 2023, and the five relevant guidelines, the Trial Measures of Overseas Listing introduced a new filing system, which requires domestic enterprises that directly and indirectly issue and list overseas to file a filing report, legal opinion

REGULATORY OVERVIEW

and other relevant materials with the CSRC. The Trial Measures of Overseas Listing provides that overseas listing is expressly prohibited in any of the following circumstances: (i) listing and financing is expressly prohibited by laws, administrative regulations or relevant State regulations; (ii) overseas issuance and listing may jeopardize national security as determined by the competent authorities of the State Council in accordance with the law; (iii) there has been corruption, bribery, embezzlement of property, misappropriation of property, or criminal offenses against the order of socialist market economy by domestic enterprises, or by their controlling shareholders or actual controllers within the last three years; (iv) where the domestic enterprise is being investigated in accordance with the law for suspected crimes or major violations of laws and regulations, and there is not yet a clear opinion on the conclusions; and (v) where there are major disputes over ownership of the equity interests held by controlling shareholders, or shareholders dominated by controlling shareholders or de facto controllers. When conducting overseas issuance and listing activities, domestic enterprises shall strictly comply with national security laws, administrative regulations and relevant provisions on foreign investment, network security, data security, etc., and effectively fulfill their obligations to safeguard national security. Where security review is involved, they shall fulfill the relevant security review procedures in accordance with the law before submitting their applications for issuance and listing to overseas securities regulatory authorities and trading venues.

According to the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (Announcement [2023] No. 44 of the China Securities Regulatory Commission, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archive Administration), which became effective on March 31, 2023, a domestic enterprise, which provides, publicly discloses to the relevant securities firms, securities service organizations, overseas regulatory bodies and other units and individuals, or provides, publicly discloses through its overseas listing subjects, etc., documents and information involving state secrets and the working secrets of state organs, shall report to the competent department with approval authority for approval in accordance with the law, and report to the confidentiality administrative department at the same level for the record. Where a domestic enterprise provides accounting files or copies of accounting files to relevant securities companies, securities service organizations, overseas regulatory bodies and other units and individuals, it shall perform the corresponding procedures in accordance with the relevant State regulations. Files such as working papers formed in China by securities companies and securities service institutions that provide relevant securities services for domestic enterprises' overseas issuance and listing shall be stored in China. Documents that need to leave the country are subject to approval procedures in accordance with the relevant national regulations.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are the leading Chinese premium beauty group. Founded in 2000 by a renowned makeup artist in China's beauty industry, Mr. Mao, we have established a strong presence in the beauty industry.

Our history dates back to July 2000 when the predecessor of our Company, namely Hangzhou Mao Geping, was founded by Mr. Mao, one of our Controlling Shareholders, the chairman of the Board and an executive Director. For the biographical details of Mr. Mao, see "Directors, Supervisors and Senior Management." In December 2015, our Company was converted into a joint stock company with limited liability. As of the Latest Practicable Date, our Company had an issued share capital of 200,000,000 Shares in a nominal value of RMB1.00 each.

OUR KEY MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Milestone
2000	<ul style="list-style-type: none">• The predecessor of our Company, Hangzhou Mao Geping, was established.• Our flagship brand, MAOGEPING (毛戈平), was launched.• Our first Institute of Makeup Artistry, Zhejiang Mao Geping Institute of Makeup Artistry, was established.
2003	<ul style="list-style-type: none">• We launched our first counter in Shanghai's Grand Gateway Plaza (上海港匯恒隆廣場).
2005	<ul style="list-style-type: none">• We launched our counter in Hangzhou Wulin Intime Department Store (杭州武林銀泰百貨).
2008	<ul style="list-style-type: none">• We launched Love Keeps (至愛終生) to expand our brand portfolio.• Led by Mr. Mao, we served as the makeup artists for the opening ceremony of the Beijing Olympics Games.
2009	<ul style="list-style-type: none">• We served as the makeup artists for the PRC National Day military parade for the 60th anniversary of the founding of the PRC.
2015	<ul style="list-style-type: none">• Our Company was converted into a joint stock company with limited liability.
2018	<ul style="list-style-type: none">• We developed our first online store on <i>Tmall</i>.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone
2019	• We developed “Eastern Aura Elegance” collection, which was created in collaboration with the Cultural and Creative Institute of the Palace Museum.
2021	• We served as the official designated beauty product and service provider for the 19th Asian Games held in Hangzhou.
2022 and 2023.	• We served as the official sponsor of China’s artistic swimming team and official partner of TEAM CHINA.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the following entities were our major subsidiaries which had made a material contribution to our results of operation during the Track Record Period:

Name of subsidiary	Place of incorporation	Date of incorporation	Shareholding	Principal business activities
Mao Geping Technology	PRC	November 12, 2009	100%	R&D and wholesale of cosmetics
Zhejiang Huidu	PRC	March 8, 2021	100%	E-commerce business promotion and sales of cosmetics
Mao Geping Image Design	PRC	August 10, 2010	100%	Operation management of the makeup artistry training business
Hangzhou Love Keeps	PRC	November 7, 2013	100%	Sales of color cosmetics and skincare products
Hangzhou Keyunshi	PRC	August 18, 2022	100%	R&D and wholesale of cosmetics
Hangzhou Shang Du Hui	PRC	January 2, 2024	100%	Land use rights holder of our new headquarter in Hangzhou and the main body of the new headquarters building project

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment of our Company

On July 28, 2000, our Company was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB500,000 and held by Mr. Mao and Mr. MAO Genyou, the father of Mr. Mao, as to 75% and 25%, respectively.

Capital increase in November 2003

In November 2003, the registered capital of our Company was increased from RMB500,000 to RMB1,500,000 through a capital injection of a total amount of RMB1,000,000, among which RMB750,000 was contributed by Mr. Mao and RMB250,000 was contributed by Mr. MAO Genyou. Immediately after the above capital increase, the shareholding structure of our Company in November 2003 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	<i>(RMB)</i>	<i>(%)</i>
Mr. Mao	1,125,000	75.00
Mr. MAO Genyou	375,000	25.00
Total	<u>1,500,000</u>	<u>100.00</u>

Capital transfer in May 2005

In May 2005, Mr. Mao transferred the registered capital of our Company of RMB180,000 (representing 12% of the then total registered capital of our Company) to Ms. MAO Niping, our executive Director and sister of Mr. Mao, at a consideration of RMB180,000; while Mr. MAO Genyou transferred (i) the registered capital of RMB210,000 (representing 14% of the then total registered capital of our Company) to Ms. MAO Huiping, our executive Director and sister of Mr. Mao and Ms. MAO Niping, at a consideration of RMB210,000, and (ii) the registered capital of RMB90,000 (representing 6% of the then total registered capital of our Company) to Ms. MAO Niping at a consideration of RMB90,000.

Upon the completion of the above capital transfer, the shareholding structure of our Company in May 2005 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	<i>(RMB)</i>	<i>(%)</i>
Mr. Mao	945,000	63.00
Ms. MAO Niping	270,000	18.00
Ms. MAO Huiping	210,000	14.00
Mr. MAO Genyou	75,000	5.00
Total	<u>1,500,000</u>	<u>100.00</u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital increase in July 2007

In July 2007, the registered capital of our Company was increased from RMB1,500,000 to RMB5,100,000 through a capital injection of a total amount of RMB3,600,000 and the contributions made by the then existing shareholders of our Company in proportion to their then shareholding interest were as follows:

Subscribers	Contribution to registered capital
	(RMB)
Mr. Mao	2,268,000
Ms. MAO Niping	648,000
Ms. MAO Huiping	504,000
Mr. MAO Genyou	180,000

Upon the completion of the capital increase, the shareholding structure of our Company in July 2007 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	3,213,000	63.00
Ms. MAO Niping	918,000	18.00
Ms. MAO Huiping	714,000	14.00
Mr. MAO Genyou	255,000	5.00
Total	<u>5,100,000</u>	<u>100.00</u>

Capital transfers in March 2010

In March 2010, Mr. MAO Genyou transferred (i) the registered capital of RMB81,600 (representing 1.60% of the then total registered capital of our Company) to Mr. Mao at a consideration of RMB81,600 and (ii) the registered capital of RMB173,400 (representing 3.40% of the then total registered capital of our Company) to Ms. SONG Hongquan at a consideration of RMB173,400. Ms. MAO Niping transferred the registered capital of RMB45,900 (representing 0.90% of the then total registered capital of our Company) to Ms. SONG Hongquan at a consideration of RMB45,900. Ms. MAO Huiping transferred a registered capital of RMB35,700 (representing 0.70% of the then total registered capital of our Company) to Ms. SONG Hongquan at a consideration of RMB35,700. The consideration of the above transfer to Mr. Mao was equal to the relevant registered capital being transferred to him, and such transfers was the Mao's family arrangement. The consideration of the above transfers to Ms. SONG Hongquan were equal to the registered capital being transferred to her, which were determined after taking into account the experience of Ms. SONG Hongquan and business and management contribution that she could bring to our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon the completion of the above transfers, the shareholding structure of our Company in March 2010 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	3,294,600	64.60
Ms. MAO Niping	872,100	17.10
Ms. MAO Huiping	678,300	13.30
Ms. SONG Hongquan	255,000	5.00
Total	<u>5,100,000</u>	<u>100.00</u>

Capital transfers in September 2010

In September 2010, Mr. Mao transferred the registered capital of our Company of RMB663,000 (representing 13% of the then total registered capital of our Company) to his spouse, Ms. Wang, at nil consideration, which was determined based on their family arrangement, and transferred a registered capital of our Company of RMB81,600 (representing 1.60% of the then total registered capital of our Company) to Mr. WANG Lihua, our executive Director and brother of Ms. Wang, at a consideration of RMB385,882.38.

Ms. MAO Niping transferred the registered capital of our Company of RMB209,100 (representing 4.10% of the then total registered capital of our Company) to Mr. WANG Lihua at a consideration of RMB988,823.60.

Ms. MAO Huiping transferred (i) the registered capital of our Company of RMB66,300 (representing 1.30% of the then total registered capital of our Company) to Mr. WANG Lihua at a consideration of RMB313,529.43 and (ii) the registered capital of our Company of RMB51,000 (representing 1% of the then total registered capital of our Company) to Ms. SONG Hongquan at a consideration of RMB241,176.49. The considerations of the above transfers to Mr. WANG Lihua and Ms. SONG Hongquan were determined based on arm's length negotiations between the parties after taking into consideration various factors including, but not limited to, the net assets of our Company and historical operating performance of our business.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon the completion of the above transfers, the shareholding structure of our Company in September 2010 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	2,550,000	50.00
Ms. Wang	663,000	13.00
Ms. MAO Niping	663,000	13.00
Ms. MAO Huiping	561,000	11.00
Mr. WANG Lihua	357,000	7.00
Ms. SONG Hongquan	306,000	6.00
Total	<u>5,100,000</u>	<u>100.00</u>

Capital transfer in October 2010

In October 2010, Mr. Mao, Ms. Wang, Ms. MAO Niping, Ms. MAO Huiping, Mr. WANG Lihua and Ms. SONG Hongquan transferred a total of registered capital of our Company of RMB102,000 (representing 2% of the then total registered capital of our Company) to Hangzhou Dihe Investment Management Co., Ltd (杭州帝和投资管理有限公司) (“**Dihe Investment**”) and details of the transfers were as follows:

Transferor	Transferee	Registered capital transferred	Consideration
		(RMB)	(RMB)
Mr. Mao	Dihe Investment ⁽¹⁾	51,000	241,176.49
Ms. Wang		13,260	62,705.89
Ms. MAO Niping		13,260	62,705.89
Ms. MAO Huiping		11,220	53,058.83
Mr. WANG Lihua		7,140	33,764.71
Ms. SONG Hongquan		6,120	28,941.18

Note:

- (1) Dihe Investment was a limited company established in the PRC on October 9, 2010, principally engaged in investment management. The registered capital of Dihe Investment was RMB500,000, which was held by Mr. Mao and Ms. Wang as to 55% and 45%, respectively. Dihe Investment was voluntarily deregistered on June 29, 2012.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon the completion of the above transfers, the shareholding structure of our Company in October 2010 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	2,499,000	49.00
Ms. Wang	649,740	12.74
Ms. MAO Niping	649,740	12.74
Ms. MAO Huiping	549,780	10.78
Mr. WANG Lihua	349,860	6.86
Ms. SONG Hongquan	299,880	5.88
Dihe Investment	102,000	2.00
Total	<u>5,100,000</u>	<u>100.00</u>

Capital increase in April 2011

In April 2011, the registered capital of our Company was increased from RMB5,100,000 to RMB5,862,069 through capital subscriptions of a total amount of RMB762,069, among which the registered capital of RMB586,207 was subscribed by New Development Associates Venture Capital Enterprises (新開發聯合創業投資企業) (“**New Development**”) at a consideration of RMB45,000,000 and registered capital of RMB175,862 was subscribed by Zhejiang Tianyi Investment Management Co., Ltd. (浙江天易投資管理有限公司) (“**Tianyi Investment**”) at a consideration of RMB13,500,000. The considerations of the above subscriptions by New Development and Tianyi Investment were determined based on arm’s length negotiations between the Company and the subscribers after taking into consideration various factors including, but not limited to, the net assets of our Company, historical operating performance, the industry ranking, the timing of the investments, and the prospects of our business. Upon the completion of the above capital increase, the shareholding structure of our Company in April 2011 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	2,499,000	42.63
Ms. Wang	649,740	11.08
Ms. MAO Niping	649,740	11.08
New Development ⁽¹⁾	586,207	10.00
Ms. MAO Huiping	549,780	9.38
Mr. WANG Lihua	349,860	5.97
Ms. SONG Hongquan	299,880	5.12
Tianyi Investment ⁽²⁾	175,862	3.00
Dihe Investment	102,000	1.74
Total	<u>5,862,069</u>	<u>100.00</u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

- (1) To the best of the Company's knowledge, New Development was ultimately controlled by China Development Bank (國家開發銀行) and was an Independent Third Party at the time of the above capital increase.
- (2) Tianyi Investment is a limited company established under the laws of PRC on April 30, 2010, principally engaged in investment management and investment consulting, which was held by Shaoxing Dayi New Energy Industry Co., Ltd. (紹興達億新能源產業有限公司), Shaoxing Xinyi Digital Printing Technology Co., Ltd. (紹興鑫億電子商務創業園有限公司), and Mr. CAO Guoxiong (曹國熊), all of whom was an Independent Third Party of our Company, as to 40%, 40% and 20%, respectively, at the time of the above capital increase. Shaoxing Dayi New Energy Industry Co., Ltd. was held by Ms. YAO Zhihong (姚芝紅) as to approximately 58.38% and three other individuals as to 41.63%, respectively, all of whom were Independent Third Parties of our Company as of the Latest Practicable Date. Shaoxing Xinyi Digital Printing Technology Co., Ltd. was held by four individuals as to approximately 50%, 30%, 10% and 10%, respectively, all of whom were Independent Third Parties of our Company as of the Latest Practicable Date. Tianyi Investment disposed of all of its interest held in the Company in January and March 2024. For further details of the transfers by Tianyi Investment, see “— Share transfers by Tianyi Investment in January and March 2024” below.

Capital transfers in May 2011

In May 2011, Dihe Investment transferred (i) the registered capital of our Company of RMB45,329 (representing 0.7733% of the then total registered capital of our Company) to Jiachi Investment at a consideration of RMB794,381.66 and (ii) the registered capital of our Company of RMB56,671 (representing 0.9667% of the then total registered capital of our Company) to Dijing Investment at a consideration of RMB993,147.94. The Company was not a party to the above transfers, and to the best information and knowledge of the Company, the considerations of the above transfers were determined based on arm's length negotiations between the parties after taking into account the net assets of our Company.

Upon the completion of the above transfers, the shareholding structure of our Company in May 2011 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	2,499,000	42.63
Ms. Wang	649,740	11.08
Ms. MAO Niping	649,740	11.08
New Development	586,207	10.00
Ms. MAO Huiping	549,780	9.38
Mr. WANG Lihua	349,860	5.97
Ms. SONG Hongquan	299,880	5.12
Tianyi Investment	175,862	3.00
Dijing Investment ⁽¹⁾	56,671	0.97
Jiachi Investment ⁽²⁾	45,329	0.77
Total	5,862,069	100.00

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

- (1) Dijing Investment was established in the PRC on April 28, 2011, principally engaged in investment management. As of the Latest Practicable Date, the registered capital of Dijing Investment was RMB1,000,000 which was held by Mr. Mao, Ms. Wang, Mr. XU Weiguo, Mr. DONG Leqin, Mr. ZHANG Jianfeng and Mr. LIU Shunxiang as to 10%, 35.45%, 22.73%, 18.18%, 9.09% and 4.55%, respectively, with Mr. Mao acting as the general and executive partner. Mr. Zhang is the human resource director of our Company and served as our Director from December 2018 to April 2024. Mr. Zhang resigned from the Board of Directors due to work adjustment. There was no disagreement between Mr. Zhang and our Company. Mr. Liu is the deputy general manager of Hangzhou Keyunshi.
- (2) Jiachi Investment was established in the PRC on April 28, 2011, principally engaged in investment management. Jiachi Investment was then held by Mr. Mao and Ms. Wang as to 50% and 50%. Upon the change of partnership interests in 2024 and as of the Latest Practicable Date, the registered capital of Jiachi Investment was RMB800,000, which was held by Ms. Wang, Mr. DONG Leqin, Ms. MAO Niping and Ms. MAO Huiping as to 30.4598%, 8.6208%, 30.4598% and 30.4598%, respectively, with Ms. Wang and Mr. DONG Leqin acting as joint general and executive partners while Ms. Wang shall have the ultimate decision-making power and de facto control on Jiachi Investment's voting rights in our Company and Mr. DONG Leqin did not and will not exercise any control in the general partner arrangement. For details of the change of partnership interests of Jiachi Investment in 2024, please refer to "— Change of partnership interests of Jiachi Investment in January 2024" below.

Capital increase in October 2012

In October 2012, the registered capital of our Company was increased from RMB5,862,069 to RMB60,000,000 through conversion of capital reserve as approved by the shareholders meeting of our Company. Upon the completion of the capital increase, the shareholding structure of our Company in October 2012 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	25,578,000	42.63
Ms. Wang	6,650,280	11.08
Ms. MAO Niping	6,650,280	11.08
New Development	6,000,000	10.00
Ms. MAO Huiping	5,627,160	9.38
Mr. WANG Lihua	3,580,920	5.97
Ms. SONG Hongquan	3,069,360	5.12
Tianyi Investment	1,800,000	3.00
Dijing Investment	580,020	0.97
Jiachi Investment	463,980	0.77
Total	<u>60,000,000</u>	<u>100.00</u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital transfer in October 2015

In October 2015, New Development transferred the registered capital of our Company of RMB6,000,000 (representing 10% of the then total registered capital of our Company) to Kunwu Jiuding Investment Management Co., Ltd. (昆吾九鼎投資管理有限公司) (“**Jiuding Investment**”) at a consideration of RMB73,300,000. The decision of the divestment of the registered capital of our Company by New Development was made out of commercial reasons. The Company was not a party to the above transfer, and to the best information and knowledge of the Company, the consideration of the above transfer was determined based on arm’s length negotiations between the parties after taking into consideration various factors including, but not limited to, the net assets of our Company, historical operating performance, the industry ranking, the timing of the investments, and the prospects of our business.

Upon the completion of the transfer, the shareholding structure of our Company in October 2015 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	25,578,000	42.63
Ms. Wang	6,650,280	11.08
Ms. MAO Niping	6,650,280	11.08
Jiuding Investment ⁽¹⁾⁽²⁾	6,000,000	10.00
Ms. MAO Huiping	5,627,160	9.38
Mr. WANG Lihua	3,580,920	5.97
Ms. SONG Hongquan	3,069,360	5.12
Tianyi Investment	1,800,000	3.00
Dijing Investment	580,020	0.97
Jiachi Investment	463,980	0.77
Total	<u>60,000,000</u>	<u>100.00</u>

Notes:

- (1) To the best of our Company’s knowledge, Jiuding Investment was an Independent Third Party at the time of the above capital increase.
- (2) Jiuding Investment disposed of all of its interest held in our Company in October 2015. For further details of the transfers by Jiuding Investment, see “— Capital transfer in October 2015”.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital transfer in October 2015

In October 2015, Jiuding Investment transferred the registered capital of our Company of RMB6,000,000 (representing 10% of the then total registered capital of our Company) to Suzhou Pushen Jiuding Investment Center (Limited Partnership) (蘇州浦申九鼎投資中心(有限合夥)) (“**Pushen Jiuding**”) at a consideration of RMB73,300,000. The Company was not a party to the above transfers, and to the best information and knowledge of the Company, the consideration of the above transfer was determined based on arm’s length negotiations among the parties after taking into consideration various factors including but not limited to, the net assets of our Company, historical operating performance, the industry ranking, the timing of the investments, and the prospects of our business.

Upon the completion of the transfer, the shareholding structure of our Company in October 2015 was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	25,578,000	42.63
Ms. Wang	6,650,280	11.08
Ms. MAO Niping	6,650,280	11.08
Pushen Jiuding ⁽¹⁾⁽²⁾	6,000,000	10.00
Ms. MAO Huiping	5,627,160	9.38
Mr. WANG Lihua	3,580,920	5.97
Ms. SONG Hongquan	3,069,360	5.12
Tianyi Investment	1,800,000	3.00
Dijing Investment	580,020	0.97
Jiachi Investment.	463,980	0.77
Total	<u>60,000,000</u>	<u>100.00</u>

Notes:

- (1) To the best of our Company’s knowledge, Pushen Jiuding was an Independent Third Party at the time of the above capital transfer. As of the Latest Practicable Date, (i) Pushen Jiuding was controlled by its general partner, namely Tibet Kunwu JD Capital Co., Ltd. (西藏昆吾九鼎創業投資基金管理有限公司), (“**Tibet Kunwu**”) which was wholly owned by Jiuding Investment which was in turn wholly owned by Kunwu Jiuding Investment Holdings Co., Ltd. (昆吾九鼎投資控股股份有限公司) whose shares were listed on the Shanghai Stock Exchange (stock code: 600053) (“**Jiuding Holdings**”); and (ii) Jiuding Investment was wholly owned by Jiuding Holdings. Therefore, Pushen Jiuding and Jiuding Investment were under common control of Jiuding Holdings.
- (2) Pushen Jiuding disposed of all of its interest held in our Company in January 2024. For further details of the transfers by Pushen Jiuding, see “— Share transfers by Pushen Jiuding in January 2024”.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Conversion into a joint stock company with limited liability in December 2015

On November 4, 2015, our general shareholders' meeting passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock company with limited liability. Pursuant to the promoters' agreement dated December 16, 2015, all promoters approved the conversion of the net asset value of our Company as of October 31, 2015 into 60,000,000 Shares of our Company with a nominal value of RMB1.00 each, with the excess of the net assets converted over nominal value of the Shares included as capital reserves of our Company. The conversion was completed in December 2015. Upon the completion of the conversion, the shareholding structure of our Company in December 2015 was as follows:

Shareholders	Numbers of Shares	Percentage of shareholding (%)
Mr. Mao	25,578,000	42.63
Ms. Wang	6,650,280	11.08
Ms. MAO Niping	6,650,280	11.08
Pushen Jiuding	6,000,000	10.00
Ms. MAO Huiping	5,627,160	9.38
Mr. WANG Lihua	3,580,920	5.97
Ms. SONG Hongquan	3,069,360	5.12
Tianyi Investment	1,800,000	3.00
Dijing Investment	580,020	0.97
Jiachi Investment	463,980	0.77
Total	<u>60,000,000</u>	<u>100.00</u>

Share transfers by Dijing Investment to Jiachi Investment in January 2024

On January 5, 2024, Dijing Investment (which was then controlled by Mr. Mao and Ms. Wang) transferred 580,020 Shares (representing 0.97% of the then total issued Shares of our Company) to Jiachi Investment (which was then controlled by Mr. Mao and Ms. Wang) at nil consideration due to the Mao's family arrangement.

Change of partnership interests of Jiachi Investment in January 2024

On January 23, 2024, Mr. Mao and Ms. Wang withdrew 50% and 19.5402% registered capital in Jiachi Investment, respectively, out of which (i) 30.4598% and 30.4598% were gifted to Ms. MAO Niping and Ms. MAO Huiping at nil consideration due to the Mao's family arrangement, respectively; and (ii) 8.6208% was subscribed by Mr. DONG Leqin at a consideration of RMB10.95 million. Such registered capital had been fully settled by Mr. DONG Leqin on April 2, 2024. Upon such change of partnership interests and as of the Latest Practicable Date, the registered capital of Jiachi Investment, being RMB800,000, was held by

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Ms. Wang, Mr. DONG Leqin, Ms. MAO Niping and Ms. MAO Huiping as to 30.4598%, 8.6208%, 30.4598% and 30.4598%, respectively. Ms. Wang and Mr. DONG Leqin were appointed as the joint and executive general partners of Jiachi Investment, whereby, Ms. Wang shall have the ultimate decision-making power and de facto control on Jiachi Investment's voting rights in our Company pursuant to the terms of the partnership agreement of Jiachi Investment. Mr. DONG Leqin became one of the partners of Jiachi Investment through his investment in Jiachi Investment as mentioned above, and he only acts as a general partner for the execution and administrative purpose only and did not and will not exercise any control in the general partner arrangement, and such arrangement is in compliance with the relevant PRC laws. As (i) Jiachi Investment is a holding entity for the purpose of Mao's family arrangement, (ii) transfers of partnership interests of Jiachi Investment to Ms. MAO Niping and Ms. MAO Huiping are part of the Mao's family arrangement, (iii) transfers of partnership interests of Jiachi Investment to Mr. DONG Leqin is for the execution and administration purpose only in order to facilitate Mao's family arrangement, such changes involving transfers of the Company's indirect shareholdings do not constitute as pre-IPO investments by Ms. MAO Niping, Ms. MAO Huiping or Mr. DONG Leqin. As Mr. Dong Leqin undertakes that he shall act as the joint general and executive partner for the execution and administrative purpose only and did not and will not exercise any control in the general partner arrangement, the Directors are of the view that Mr. DONG Leqin should not be considered as a member of the group of the Controlling Shareholders.

Share transfers by Pushen Jiuding in January 2024

On January 25, 2024, Pushen Jiuding transferred 879,000 Shares (representing 1.47% of the then total issued shares of our Company) to Shenzhen Dushi Enterprise Management Partnership (Limited Partnership) (深圳市篤實企業管理合夥企業(有限合夥)) (“**Shenzhen Dushi**”) at a consideration of RMB106,945,000.

On January 29, 2024, Pushen Jiuding transferred 591,000 Shares (representing 0.99% of the then total issued shares of our Company) to Suzhou Jinhong Venture Capital Partnership (Limited Partnership) (蘇州錦鴻創業投資合夥企業(有限合夥)) (“**Suzhou Jinhong**”) at a consideration of RMB71,905,000.

The Company was not a party to the above transfers, and to the best information and knowledge of the Company, the considerations of the above transfers were determined based on arm's length negotiations between the parties after taking into consideration various factors including but not limited to, the net assets of our Company, historical operating performance, the industry ranking, the timing of the investments, and the prospects of our business. For further details of Shenzhen Dushi and Suzhou Jinhong and the Share transfers to each of them, please refer to “— Pre-IPO Investments” below. To the best of our Company's knowledge, each of Shenzhen Dushi and Suzhou Jinhong was an Independent Third Party at the time of the above transfers. These Share transfers were conducted based on their respective arm's length negotiation between the relevant Shareholders, and did not involve any issuance of new Shares by the Company. As Shenzhen Dushi and Suzhou Jinhong became the new Shareholders upon

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

the completion of these transfers, the Share transfers by Pushen Jiuding to Shenzhen Dushi and Suzhou Jinhong constitute pre-IPO investments in our Company. For further details of Shenzhen Dushi and Suzhou Jinhong, please refer to “— Information relating to our Pre-IPO Investors”.

On January 17, 2024, Pushen Jiuding (which was then a Shareholder) transferred 4,530,000 Shares (representing 7.55% of the then total issued shares of our Company) to Dijing Investment (which was then controlled by Mr. Mao and Ms. Wang) at a consideration of RMB551,150,000. The consideration of the above transfer was determined among parties arm’s length negotiations after taking into consideration various factors including but not limited to, the net assets of our Company, historical operating performance, the industry ranking, the timing of the investments, and the prospects of our business.

On March 22, 2024, due to the Mao’s family arrangement, Dijing Investment further transferred (i) 5,000,000 Shares (representing 2.50% of the then total issued Shares of our Company) to Mr. XU Kejun (徐科君), the son of Ms. MAO Niping, at a consideration of RMB182,500,000, and (ii) 5,000,000 Shares (representing 2.50% of the then total issued Shares of our Company) to Mr. DING Tao (丁韜), the son of Ms. MAO Huiping, at a consideration of RMB182,500,000. The adjustment of consideration per Share compared to the transfers by Pushen Jiuding to Dijing Investment in January 2024 was due to the capital increase of our Company in March 2024 as set out below. The consideration of such transfers was fully settled by Mr. XU Kejun and Mr. DING Tao on April 3, 2024 directly to Pushen Jiuding as the settlement by Dijing Investment for 5.00% of the then total issued shares of our Company transferred by Pusheng Jiuding to Dijing Investment in January 2024 as mentioned above.

On the same date, Dijing Investment transferred (i) 2,000,000 Shares (representing 1.00% of the then total issued Shares of our Company) to Mr. Mao, at a consideration of RMB73,000,000; (ii) 520,000 Shares (representing 0.26% of the then total issued Shares of our Company) to Ms. Wang, at a consideration of RMB18,980,000; (iii) 520,000 Shares (representing 0.26% of the then total issued Shares of our Company) to Ms. MAO Niping, at a consideration of RMB18,980,000; (iv) 440,000 Shares (representing 0.22% of the then total issued Shares of our Company) to Ms. MAO Huiping, at a consideration of RMB16,060,000; (v) 280,000 Shares (representing 0.14% of the then total issued Shares of our Company) to Mr. WANG Lihua, at a consideration of RMB10,220,000; and (vi) 240,000 Shares (representing 0.12% of the then total issued Shares of our Company) to Ms. SONG Hongquan, at a consideration of RMB8,760,000. The adjustment of consideration per Share compared to the transfers by Pushen Jiuding to Dijing Investment in January 2024 was due to the capital increase of our Company in March 2024 as set out below. Such transfers were fully settled on April 8, 2024.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon completion of these transfers, Pushen Jiuding no longer held any interest in our Company. Our Company became acquainted with Jiuding Investment as a result of its participation in the public tender offer for the registered capital of our Company held by New Development and thus became an investor of our Company in 2015. Jiuding Investment then transferred the registered capital of our Company held by it to Pushen Jiuding due to the internal management arrangement of Jiuding Holdings. To the best knowledge and information of the Company after due enquiries, the decision of the divestment of the Shares by Pushen Jiuding was made by the general partner of Pushen Jiuding out of commercial reasons.

Share transfers by Tianyi Investment in January and March 2024

On January 8, 2024, with a view to crystallizing the indirect interest in our Company held by Mr. CAO Guoxiong (being a then 20% shareholder of Tianyi Investment) through Tianyi Investment as his direct shareholding at the level of our Company, Tianyi Investment transferred 360,000 Shares (representing 0.60% of the then total issued shares of our Company) to Mr. CAO Guoxiong at a consideration of RMB9,000,000.

On March 22, 2024, with a view to crystallizing the indirect interest in our Company held by Ms. YAO Zhihong (being a then indirect shareholder of Tianyi Investment) through Tianyi Investment as her direct shareholding at the level of our Company, Tianyi Investment agreed to transfer 1,401,000 Shares (representing approximately 0.70% of the then total issued shares of our Company) to Ms. YAO Zhihong at a consideration of RMB10,507,500.

On the same date, Tianyi Investment further agreed to transfer 2,439,000 Shares (representing approximately 1.22% of the then total issued shares of our Company) and 960,000 Shares (representing 0.48% of the then total issued shares of our Company) to Ms. YAO Zhihong and Mr. CAO Guoxiong at a consideration of RMB85,365,000 and RMB33,600,000, respectively.

For further details of Mr. CAO Guoxiong, Ms. YAO Zhihong and the Share transfers to each of them, please refer to “— Pre-IPO Investments” below. To the best of our Company’s knowledge, each of Mr. CAO Guoxiong and Ms. YAO Zhihong was an Independent Third Party at the time of the above transfers. These Share transfers were conducted based on their respective arm’s length negotiation between the relevant Shareholders, and did not involve any issuance of new Shares by the Company.

Upon completion of these transfers, Tianyi Investment no longer held any interest in our Company. The Company became acquainted with Tianyi Investment, a local investment company in Hangzhou, in the process of Tianyi Investment’s effort to explore investment opportunities. The decision of the divestment of the Shares by Tianyi Investment was made among Tianyi Investment and Mr. CAO Guoxiong and Ms. YAO Zhihong (who were then shareholders of Tianyi Investment) in light of the positive outlook on the Company’s future development, and the flexibility of the ownership of Shares. As Mr. CAO Guoxiong and Ms. YAO Zhihong became the new Shareholders upon the completion of these transfers, the Share

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

transfers by Tianyi Investment to Mr. CAO Guoxiong and Ms. YAO Zhihong constitute pre-IPO investments in our Company. For further details of Mr. CAO Guoxiong and Ms. YAO Zhihong, please refer to “— Information relating to our Pre-IPO Investors”.

Capital increase in March 2024

In March 2024, the registered capital of our Company was increased from RMB60,000,000 to RMB200,000,000 through conversion of capital reserve as approved by the Shareholders’ meeting of our Company.

Upon the completion of the above share transfers and capital increase in 2024, the shareholding structure of our Company as of the Latest Practicable Date was as follows:

Shareholders	Registered capital held	Percentage of shareholding
	(RMB)	(%)
Mr. Mao	87,260,000	43.63
Ms. Wang	22,687,600	11.34
Ms. MAO Niping	22,687,600	11.34
Ms. MAO Huiping	19,197,200	9.60
Mr. WANG Lihua	12,216,400	6.11
Ms. SONG Hongquan	10,471,200	5.24
Mr. XU Kejun	5,000,000	2.50
Mr. DING Tao	5,000,000	2.50
Ms. YAO Zhihong	3,840,000	1.92
Jiachi Investment	3,480,000	1.74
Shenzhen Dushi	2,930,000	1.47
Mr. CAO Guoxiong	2,160,000	1.08
Suzhou Jinhong	1,970,000	0.99
Dijing Investment	1,100,000	0.55
Total	<u>200,000,000</u>	<u>100.00</u>

As advised by our PRC Legal Advisor, our Company has obtained all necessary approvals from competent authorities or made all necessary registration or filings with the relevant local branch of SAMR in respect of the transfers, capital increases and issuance of Shares set out above in material aspects, and such transfers, capital increases and issuance of Shares were conducted in compliance with the applicable PRC laws and regulations in all material aspects.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Share Subdivision

We expect to conduct the Share Subdivision immediately prior to the Listing, pursuant to which each of our Share with par value of RMB1.00 will be subdivided into two Shares with par value of RMB0.50 each. Upon completion of such Share Subdivision, the registered capital of our Company, which is RMB200,000,000, will be divided into 400,000,000 Shares with par value of RMB0.50 per Share, which will be subscribed by all our then Shareholders in proportion to their respective equity interests in our Company immediately before the Listing, and the number of our issued Shares will be 400,000,000, without taking into consideration the new Shares to be issued for the Global Offering.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Mao and Ms. Wang were collectively interested in approximately 57.26% of our total issued share capital, comprising (i) 43.63% of our total issued share capital directly held by Mr. Mao, (ii) 11.34% of our total issued share capital directly held by Ms. Wang, (iii) 0.55% of our total issued share capital controlled by Mr. Mao and Ms. Wang indirectly through Dijing Investment which was controlled by Ms. Wang and Mr. Mao as to 35.45% and 10%, respectively, with Mr. Mao acting as its general and executive partner, and (iv) 1.74% of our total issued share capital controlled by Ms. Wang indirectly through Jiachi Investment in which Ms. Wang shall have the ultimate decision making power and de facto control on Jiachi Investment's voting rights in our Company and Mr. DONG Leqin did not and will not exercise any control in the general partner arrangement. For further details, see "Relationship with Our Controlling Shareholders."

PREVIOUS A-SHARE LISTING ATTEMPT

To explore the opportunity of establishing a capital market platform in the A-share market, we applied to the CSRC for the listing of our shares on the main board of the Shanghai Stock Exchange in December 2016 (the "**Previous Listing Attempt**") and received approval from the Public Offering Review Committee of the CSRC on October 21, 2021, subsequent to which our Company had been following up with the CSRC regarding the issuance approval and no formal approval was received. In March 2023, the Company refiled its application documents to the Shanghai Stock Exchange, due to the implementation of the registration-based listing regime. Since obtaining the approval from the Public Offering Review Committee of the CSRC in October 2021, refiled of our listing application to the Shanghai Stock Exchange in March 2023 and till our formal withdrawal of the A-share listing application in January 2024, we did not receive any further comments or feedback regarding the listing application process of our Company from the CSRC or the Shanghai Stock Exchange. We subsequently decided to voluntarily withdraw the A-share listing application, and the Previous Listing Attempt was formally withdrawn by our Company in January 2024, considering the uncertainty of the timetable for our Company's A-share listing process, the prospects of our business, our then future development strategies and the marketing environment. In addition, our Directors believe that the Listing will be in the interest of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for the

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

following reasons: (i) the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fund-raising capabilities and broaden our fund-raising channels and our Shareholders base as well as strengthen our international exposure; (ii) the Listing would give us a better platform for our development in our business in the international market; and (iii) the Listing on the Stock Exchange will further raise our brand awareness, business profile and thus, enhance our corporate image to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our Group's business.

Our Company has received certain comments from the CSRC in respect of its Previous Listing Attempt mainly requesting further disclosure on our Company's business (business model and operations, sales model, major customers and suppliers, research and development), financial performance (accounting policies, tax and various line items), shareholding structure and information on the Company's directors and senior management and compliance (historical shareholding changes and background related information of the directors and senior management). We have taken into consideration of such comments in preparing for the Listing. To the best of our Directors' knowledge and belief, our Directors have confirmed that they are not aware of any material matters relating to the Previous Listing Attempt which have been brought to their attention that might materially and adversely affect our suitability for the Listing or should be brought to the attention of the Stock Exchange and/or the prospective investors in the Global Offering.

Based on the due diligence work performed by the Sole Sponsor, nothing material has come to the attention of the Sole Sponsor that contradicts the Directors' view disclosed above regarding the Previous Listing Attempt.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

Overview

Details of the Pre-IPO Investments are set out below:

Name of Pre-IPO Investors	Method	Date of agreements	Date of settlement of consideration	Number of Shares subscribed/acquired ⁽¹⁾	Number of Shares subscribed/adjusted by the Share Subdivision	Consideration	Cost Per Share ⁽²⁾	Discount to the Offer Price ⁽³⁾	Shareholding in our Company upon Listing (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised)
Mr. CAO Guoxiong . . .	Share transfer by Tianyi Investment ⁽⁴⁾	January 8, 2024	March 28, 2024	1,200,000	2,400,000	RMB9,000,000	RMB3.75	85.54%	0.51%
Shenzhen Dushi	Share transfer by Tianyi Investment ⁽⁵⁾	March 22, 2024	March 28, 2024	960,000	1,920,000	RMB33,600,000	RMB17.50	32.51%	0.41%
Suzhou Jinhong	Share transfer by Pushen Jiuding ⁽⁶⁾	January 25, 2024	January 29, 2024	2,930,000	5,860,000	RMB106,945,000	RMB18.25	29.62%	1.25%
Ms. YAO Zhihong	Share transfer by Tianyi Investment ⁽⁷⁾	January 29, 2024	February 27, 2024	1,970,000	3,940,000	RMB71,905,000	RMB18.25	29.62%	0.84%
	Share transfer by Tianyi Investment ⁽⁵⁾	March 22, 2024	March 28, 2024	1,401,000	2,802,000	RMB10,507,500	RMB3.75	85.54%	0.60%
	Share transfer by Tianyi Investment ⁽⁵⁾	March 22, 2024	March 28, 2024	2,439,000	4,878,000	RMB85,365,000	RMB17.50	32.51%	1.04%

Notes:

- (1) The numbers of Shares subscribed or acquired has taken into account the registered capital increase of our Company in March 2024 from RMB60,000,000 to RMB200,000,000.
- (2) The cost per share is calculated based on dividing the consideration by the number of Shares subscribed or acquired as adjusted by the Share Subdivision to be undertaken immediately prior to the Listing, to facilitate the illustration of premium or discount to the Offer Price.
- (3) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$28.05 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$26.30 and HK\$29.80.
- (4) Mr. CAO Guoxiong was an individual shareholder who held 20% interest in Tianyi Investment as of the date of the agreement of the transfer. To the best knowledge of our Company who was not a party to such transfer, the transfer of Shares between Mr. Cao and Tianyi Investment was based on their internal administrative arrangement with a view to crystallizing Mr. Cao's indirect interest in our Company (i.e. 0.60% equity interest in our Company, calculated by 20% interest in Tianyi Investment held by Mr. Cao times 3% interest in the Company held by Tianyi Investment prior to the transfer) held through Tianyi Investment to become a direct Shareholder at the level of our Company and the consideration of such Share transfer was determined upon their arm's length negotiation with reference to, among other things, the net asset value per Share of our Company (i.e. RMB1,547,986,000 as at December 31, 2023 divided by total number of 60,000,000 Shares as at the date of the agreement of the transfer) at the time of such transfer without any involvement of our Company. For further details of Tianyi Investment, its investment into our Company and Mr. Cao's interest therein, see "— Major Shareholding Changes of our Company — Capital increase in April 2011" above.
- (5) To the best knowledge of our Company who was not a party to such transfers, the considerations of such Share transfers were determined upon arm's length negotiation between Tianyi Investment (as transferor) and each of Mr. CAO Guoxiong and Ms. YAO Zhihong (as transferees), as the case may be.
- (6) To the best knowledge of our Company who was not a party to such transfers, the considerations of such Share transfers were determined upon arm's length negotiation between Pushen Jiuding (as transferor) and each of Shenzhen Dushi and Suzhou Jinhong (as transferees), as the case may be.
- (7) Ms. YAO Zhihong was an indirect individual shareholder who was interested in approximately 23.35% interest in Tianyi Investment as of the date of the agreement of the transfer. To the best knowledge of our Company who was not a party to such transfer, the transfer of Shares between Ms. Yao and Tianyi Investment was based on their internal administrative arrangement with a view to crystallizing Ms. Yao's indirect interest in our Company (i.e. 0.70% equity interest in our Company, calculated by 23.35% interest in Tianyi Investment held by Ms. Yao times 3% interest in the Company held by Tianyi Investment prior to the transfer) held through Tianyi Investment to become a direct Shareholder at the level of our Company and the consideration of such Share transfer was determined upon their arm's length negotiation with reference to, among other things, the net asset value per Share of our Company (i.e. RMB1,547,986,000 as at December 31, 2023 divided by total number of 200,000,000 Shares as at the date of the agreement of the transfer) at the time of such transfer, without any involvement of our Company. For further details of Tianyi Investment, its investment into our Company and Ms. Yao's interest therein, see "— Major Shareholding Changes of our Company — Capital increase in April 2011" above.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights

Use of proceeds from the Pre-IPO Investments Given that all the Pre-IPO Investors acquired the Shares from the then shareholders of our Company, no proceeds were raised by our Company from the Pre-IPO Investments.

Strategic benefits the Pre-IPO Investments brought to our Company Our Company was not a party to the transfers of Shares by the then shareholders of the Company to the Pre-IPO Investors. Having said that, we believe that the Pre-IPO Investors' investments in our Company demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects.

Basis of determining the consideration paid To the best knowledge of our Company which was not a party to such Pre-IPO Investments, the considerations were determined among the relevant then Shareholders of our Company and the relevant Pre-IPO Investors upon their respective arm's length negotiations after taking into consideration various factors including, but not limited to, the historical operating performance, the industry ranking, the timing of the investments, and the prospects of our business.

Lock-up period Pursuant to the applicable PRC laws, all current Shareholders (including the Pre-IPO Investors) will be subject to the relevant PRC statutory transfer restriction for a period of one year from the Listing Date.

PRC Legal Advisor's confirmation

As advised by our PRC Legal Advisor, our Company has obtained all necessary approvals from competent authorities or made all necessary registration or filings with the relevant local branch of SAMR in respect of the Pre-IPO Investments in material aspects set out above, and the Pre-IPO Investments were conducted in compliance with the applicable PRC laws and regulations in all material aspects.

Special rights of the Pre-IPO Investors

None of the Pre-IPO Investors had been granted with any special rights as of the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Sole Sponsor's confirmation

On the basis that (i) the Listing Date, being the first day of trading of the H Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the Pre-IPO Investments; and (ii) none of the Pre-IPO Investors had been granted with any special rights as of the Latest Practicable Date, the Sole Sponsor confirms that the Pre-IPO Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

Information relating to our Pre-IPO Investors

Mr. CAO Guoxiong

Mr. CAO Guoxiong, a Chinese national, was one of the existing shareholders holding 20% interest in Tianyi Investment (being a previous Shareholder of our Company), and an Independent Third Party. For further details of Tianyi Investment, its investment into our Company and Mr. Cao's interest therein, see “— Major Shareholding Changes of our Company — Capital increase in April 2011” above.

Shenzhen Dushi

Shenzhen Dushi is a limited partnership established under the laws of PRC on January 23, 2024, principally engaged in enterprise management and consultation, which was established as a holding entity of the Shares. The general partner of Shenzhen Dushi was Shenzhen Jiuying Enterprise Management Consulting Co., Ltd. (深圳市玖贏企業管理諮詢有限公司), which held 20.43% interest in Shenzhen Dushi and was wholly owned by Ms. ZHANG Liping (張麗萍), an Independent Third Party of our Company as of the Latest Practicable Date. Shenzhen Dushi was held by its limited partners, namely Changsha Rennai Consulting Partnership (Limited Partnership) (長沙忍耐諮詢合夥企業(有限合夥)), Shenzhen Huizhida No. 1 Investment Partnership (Limited Partnership) (深圳市匯智達壹號投資合夥企業(有限合夥)), Changsha Guojin Jiading Investment Management Partnership (Limited Partnership) (長沙國錦嘉鼎投資管理合夥企業(有限合夥)), Shancun Holdings (Shenzhen) Co., Ltd. (山村控股(深圳)有限公司), Changsha Jiujin Enterprise Consulting Partnership (Limited Partnership) (長沙九金企業諮詢合夥企業(有限合夥)), Hantian Holdings (Shenzhen) Co., Ltd. (漢天控股(深圳)有限公司), Shenzhen Shanheng Enterprise Consulting Center (Limited Partnership) (深圳山衡企業諮詢中心(有限合夥)), Jishou Qianyuan Enterprise Management Co., Ltd., (吉首乾元企業管理有限公司), Changsha Furong Gold and Jewelry Co., Ltd. (長沙芙蓉金飾珠寶有限公司), Guangdong Fengqi Investment Co., Ltd. (廣東風起投資有限公司), Changsha Liangtu Technology Co., Ltd. (長沙市亮途科技有限公司), Hunan Hantian Asset Management Co., Ltd. (湖南漢天資產管理有限公司), Changsha Jiulan Hotel Management Co., Ltd. (長沙九嵐酒店管理有限公司) and Changsha Lingsong Internet Technology Co., Ltd. (長沙令松網絡科技有限公司), as to approximately 19.14%, 17.28%, 10.28%, 8.39%, 7.10%, 5.31%, 4.11%, 1.39%, 1.39%, 1.39%, 1.39%, 1.31%, 0.84% and 0.24%, respectively, all of whom were Independent Third Parties of our Company as of the Latest Practicable Date. To the best knowledge and information of the Directors after due enquiries, Shenzhen Dushi became acquainted with Pushen Jiuding through its limited partners at the relevant time, namely Changsha Shanjiu Enterprise Consulting

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Partnership (Limited Partnership)^(Note), Shenzhen Huizhida No. 1 Investment Partnership (Limited Partnership), Changsha Guojin Jiading Investment Management Partnership (Limited Partnership), Changsha Jiujin Enterprise Consulting Partnership (Limited Partnership), Hantian Holdings (Shenzhen) Co., Ltd., Hunan Hantian Asset Management Co., Ltd., Shenzhen Shanheng Enterprise Consulting Center (Limited Partnership), Shancun Holdings (Shenzhen) Co., Ltd., Changsha Jiulan Hotel Management Co., Ltd., and Changsha Lingsong Internet Technology Co., Ltd. (“**Certain Limited Partners**”) who were also the direct or indirect limited partners of Pushen Jiuding. The decision of the divestment of the Company’s Shares by Pushen Jiuding was made out of commercial reasons, while Certain Limited Partners were optimistic about the business prospects of the Group and decided to establish Shenzhen Dushi to invest in the Company in 2024. To the best knowledge and information of the Directors after due enquiries, as of the Latest Practicable Date, Shenzhen Dushi was an independent third party of Pushen Jiuding, and all of the ultimate shareholders of Certain Limited Partners had not participated in the management of the private equity funds established by Pushen Jiuding, and save as investments in the private equity funds managed by Jiuding Investment and Tibet Kunwu, had no current relationship or shareholding arrangements with Pushen Jiuding, its general partner or Jiuding Investment.

Suzhou Jinhong

Suzhou Jinhong is a limited partnership established under the laws of PRC on January 23, 2024, principally engaged in venture capital investment, which was established as a holding entity of the Shares. The general partner of Suzhou Jinhong was Tongxi (Beijing) Capital Management Limited (同系(北京)資本管理有限公司), which held 1.37% interest in Suzhou Jinhong and was held by Beijing Tongxi Technology Co., Ltd. (北京同系科技有限公司), Mr. WANG Senlin (王森林), Mr. ZHU Yijia (朱鷺佳) and Mr. LIU Linmao (劉林茂), as to 70%, 10%, 10% and 10%, respectively, all of whom were Independent Third Parties of our Company as of the Latest Practicable Date. Beijing Tongxi Technology Co., Ltd. was held as to 0.1% and 99.9% respectively by Mr. ZHU Yijia (朱鷺佳) and Asia Europe Growth (Shenzhen) Technology Co., Ltd. (亞歐成長(深圳)科技有限責任公司), which was wholly owned by Mr. ZHU Yijia (朱鷺佳), all of whom were Independent Third Parties of our Company as of the Latest Practicable Date. Limited partners of Suzhou Jinhong include Mr. SUO Long (索隆) as to approximately 46.58%, and three other limited partners who each held less than one-third interest in Suzhou Jinhong. All of the limited partners of Suzhou Jinhong were Independent Third Parties of our Company as of the Latest Practicable Date. To the best knowledge and information of the Directors after due enquiries, Suzhou Jinhong became acquainted with Pushen Jiuding through the shareholders of its general partner, namely Mr. WANG Senlin (王森林), Mr. ZHU Yijia (朱鷺佳) and Mr. LIU Linmao (劉林茂), all being former employees of Jiuding Holdings or its associates. To the best knowledge and information of the Directors after due enquiries, as of the Latest Practicable Date, Suzhou Jinhong was an independent third party of Pushen Jiuding, and all of the ultimate shareholders of the general partner of Suzhou Jinhong

Note: subsequently in November 2024, Changsha Shanjiu Enterprise Consulting Partnership (Limited Partnership) transferred out all its interest in Shenzhen Dushi for the purpose of internal restructuring.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

had not participated in the management of the private equity funds established by Pushen Jiuding, and had no current relationship or shareholding arrangements with Pushen Jiuding, its general partner or Jiuding Investment.

Ms. YAO Zhihong

Ms. YAO Zhihong, a Chinese national, was one of the indirect shareholders of Tianyi Investment (being a previous Shareholder of our Company) and an Independent Third Party. For further details of Tianyi Investment, its investment into our Company and Ms. Yao's interest therein, see “— Major Shareholding Changes of our Company — Capital increase in April 2011” above.

MAJOR ACQUISITION, DISPOSALS AND MERGERS

To strengthen our supply chain capabilities and reduce production costs, on June 26, 2023, Hangzhou Xingyi (a wholly-owned subsidiary of our Company), Ningbo Hongyan Enterprise Management Consulting Partnership (Limited Partnership) (寧波鴻妍企業管理諮詢合夥企業(有限合夥)) (“**Ningbo Hongyan**”) and Huamei Kangyan (Suzhou) Biotechnology Co., Ltd. (華美康妍(蘇州)生物科技有限公司) (“**Huamei Kangyan**”) entered into an equity transfer agreement, pursuant to which Hangzhou Xingyi agreed to purchase and Ningbo Hongyan agreed to transfer 14.1428% registered capital of Huamei Kangyan (the “**2023 Huamei Acquisition**”) and the capital contribution obligation owed by Ningbo Hongyan with an aggregate amount of RMB10 million. As the 14.1428% registered capital of Huamei Kangyan was not paid up by Ningbo Hongyan at that time and Hangzhou Xingyi shall be obliged to fulfill the respective capital contribution obligation in Huamei Kangyan, the consideration of the 2023 Huamei Acquisition was nil. On March 26, 2024, Hangzhou Xingyi, Ningbo Hongyan and Huamei Kangyan entered into a share transfer agreement, pursuant to which Hangzhou Xingyi agreed to purchase and Ningbo Hongyan agreed to sell 25.8572% registered capital of Huamei Kangyan (the “**2024 Huamei Acquisition**”, together with the 2023 Huamei Acquisition, “**Huamei Acquisitions**”) at an aggregate consideration of approximately RMB22.24 million, which was determined after arm's length negotiations taking into account the valuation of Huamei Kangyan. Such transfer was settled on March 28, 2024. Upon the completion of Huamei Acquisitions in March 2024, Huamei Kangyan was held by Suzhou Guanyan Enterprise Management Partnership (Limited Partnership) (蘇州冠妍企業管理合夥企業(有限合夥), “**Suzhou Guanyan**”), Hangzhou Xingyi and Ningbo Hongyan as to 45.0005%, 40.00% and 14.9995%, respectively. As of the Latest Practicable Date, Suzhou Guanyan was held by Ms. WANG Yihua (王邑華), Ms. ZENG Tianxia (曾天霞) and Mr. JIAO Yinfei (焦銀飛), all being Independent Third Parties, as to 55.50%, 24.50% and 20.00%. Ningbo Hongyan was held by Ms. GAO Changai (高常愛) and Ms. CHENG Bingying (程冰瑩), both being Independent Third Parties, as to 80% and 20%, respectively. Huamei Kangyan is principally engaged in the development and production of skincare products. It commenced production in 2022 and its operation scale matches the business demands of the Group, including the production and canning of the products of our Company. To the best knowledge of the Company, the number of staff of Huamei Kangyan as of December 31, 2021, 2022 and

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

2023 was nine, 48 and 72, respectively, and the proportion of the revenue of Huamei Kangyan that was attributable to the sales to our Group for the years ended December 31, 2021, 2022 and 2023 was nil, 33.9% and 46.0%, respectively. The total purchase amounts from Huamei Kangyan for the procurement of the raw materials and cosmetics production for the years ended December 31, 2021, 2022 and 2023 were approximately nil, RMB0.8 million and RMB15.3 million, respectively. The Huamei Acquisitions have been aggregated for the purpose of considering the Company's compliance obligations pursuant to Rules 14.22 and 14.23 of the Listing Rules. None of the applicable percentage ratios as defined under the Listing Rules in respect of the above transaction under Huamei Acquisitions reaches 25% or above which would require disclosure pursuant to Rule 4.05A of the Listing Rules.

Save as disclosed above, during the Track Record Period, we had not made any acquisitions, disposals or mergers that we consider to be material to us.

PUBLIC FLOAT

189,100,000 Shares (being 378,200,000 Shares immediately following the Share Subdivision) controlled by (i) our Controlling Shareholders; and (ii) Ms. MAO Niping, Ms. MAO Huiping, Mr. WANG Lihua, Ms. SONG Hongquan, Mr. XU Kejun and Mr. DING Tao all being our core connected persons or otherwise fall under the situations as contemplated under Rule 8.24 of the Listing Rules, representing 94.55% of our total issued Shares as of the Latest Practicable Date or approximately 80.37% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), will not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

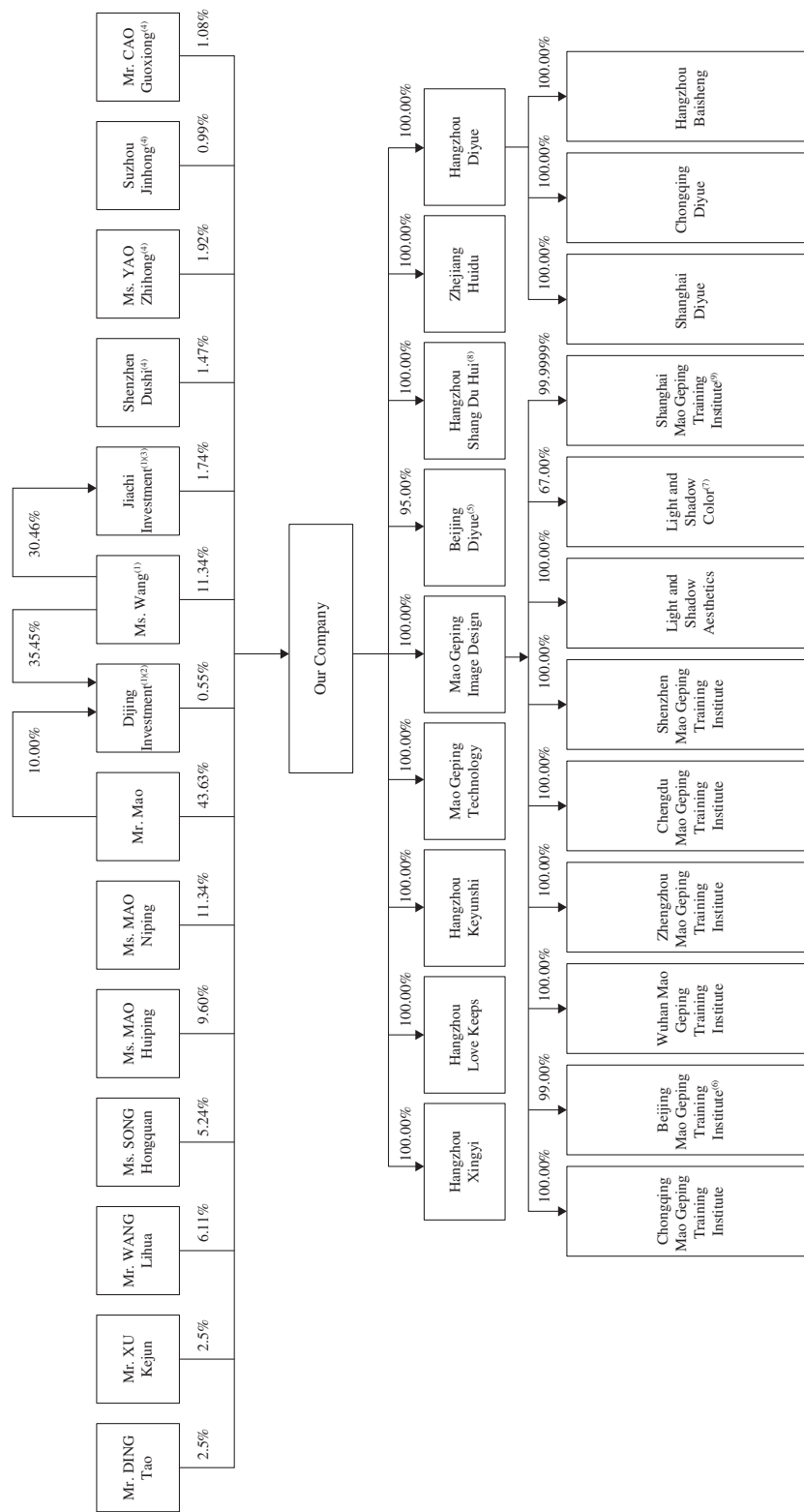
In addition, 2,197,500 Unlisted Shares (being 4,395,000 Unlisted Shares immediately following the Share Subdivision) held by Shenzhen Dushi, representing 1.10% of our total issued Shares as of the Latest Practicable Date, or approximately 0.93% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), will not be considered as part of the public float as the Unlisted Shares they hold will not be converted into H Shares and listed on the Main Board upon Listing.

To the best knowledge of our Directors and after due enquiries, 8,702,500 Shares (being 17,405,000 Shares immediately following the Share Subdivision), representing 4.35% of our total issued Shares as of the Latest Practicable Date, or approximately 3.70% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), held by the remaining Shareholders other than the above-mentioned Shareholders will be counted towards to the public float of our Company according to Rule 8.08 of the Listing Rules upon the Listing. Taking into account the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), 87,993,200 Shares, representing 18.70% of our total issued Shares upon Listing will be counted towards to the public float of our Company according to Rule 8.08 of the Listing Rules.

CORPORATE STRUCTURE

Corporate Structure before the Global Offering

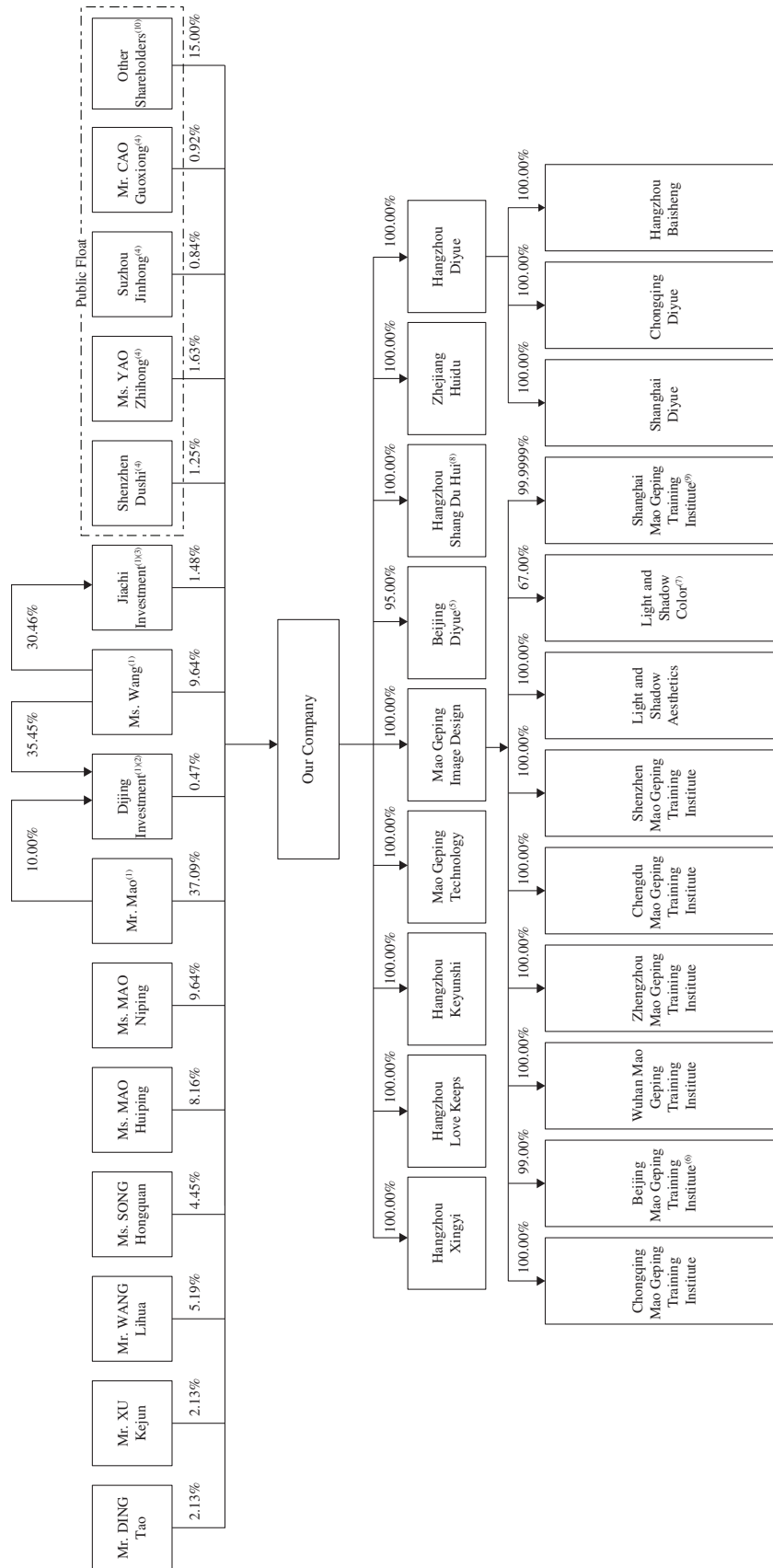
The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately prior to the completion of the Global Offering:



Notes (1) to (9): Please refer to “— Corporate Structure immediately following the Global Offering” below.

Corporate Structure immediately following the Global Offering

The chart below sets out the shareholding structure of our Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):



Notes:

- (1) Mr. Mao, Ms. Wang, Dijing Investment and Jiachi Investment comprise a group of Controlling Shareholders. See “Relationship with Our Controlling Shareholders” for further details.
- (2) Dijing Investment was controlled by Mr. Mao and Ms. Wang as to 10% and 35.45%, respectively, with Mr. Mao acting as the general and executive partner as of the Latest Practicable Date.
- (3) Jiachi Investment was held by Ms. Wang, Mr. DONG Leqin, Ms. MAO Huiping and Ms. MAO Niping as to 30.4598%, 8.6208%, 30.4598% and 30.4598%, respectively, with Ms. Wang and Mr. DONG Leqin acting as joint general and executive partners as of the Latest Practicable Date.
- (4) See “— Information relating to our Pre-IPO Investors” above for the details of Mr. CAO Guoxiong, Shenzhen Dushi, Suzhou Jinhong and Ms. YAO Zhihong.
- (5) The remaining 5% interest in Beijing Diyue was held by Mr. YANG Xiuhao (楊修昊), who was an Independent Third Party, as of the Latest Practicable Date.
- (6) The remaining 1% in Beijing Mao Geping Training Institute was held by Mr. Mao, our founder, chairman of the Board, executive Director and one of our Controlling Shareholders.
- (7) The remaining 33% interest in Light and Shadow Color was held by Hangzhou Yifan Network Technology Co., Ltd. (杭州億梵網絡科技有限公司), which was in turn held by Mr. ZHOU Guanya (周冠亞) and Mr. PENG Yue (彭越), as to 90% and 10%, all being Independent Third Parties, as of the Latest Practicable Date.
- (8) As of June 30, 2024, Hangzhou Shang Du Hui was owned as to approximately 77.2% by our Company and 22.8% by our management, including Mr. Mao, Ms. Wang, Ms. MAO Niping, Ms. MAO Huiping, Mr. WANG Lihua and Ms. SONG Hongquan. To facilitate the development of the property held by Hangzhou Shang Du Hui and speed up the relevant administrative procedures, on October 23, 2024, we acquired the 22.8% interest in Hangzhou Shang Du Hui at a total consideration of RMB96 million, which was determined after the arm’s length negotiations between the parties with reference to the paid-up capital contributed by the selling shareholders. Upon completion of the acquisition, Hangzhou Shang Du Hui became wholly owned by our Company.
- (9) The remaining 0.0001% interest in Shanghai Mao Geping Training Institute was held by Mr. Mao, our founder, chairman of the Board, executive Director and one of our Controlling Shareholders.
- (10) Other Shareholders are the Shareholders subscribing for the Offer Shares.

OVERVIEW

We are the leading Chinese premium beauty group. Founded in 2000 by a renowned makeup artist in China's beauty industry, Mr. Mao, we have established a strong presence in China's beauty industry. We are the only domestic market player among the top ten premium beauty groups in China, ranking seventh based on the total retail sales of all premium brands owned by each group in 2023 with a market share of 1.8%, according to Frost & Sullivan. The premium beauty market in China has grown at a CAGR of 7.8% from 2018 to 2023, reaching RMB194.2 billion in 2023, and is expected to continue growing at a CAGR of 9.9%, reaching RMB311.0 billion by 2028. Domestic beauty groups, with their insights into Chinese consumer preferences, are well-positioned to meet the growing demand fueled by a renewed sense of cultural pride and appreciation for oriental aesthetics. From 2018 to 2023, the market size of domestic beauty brands in China expanded at a CAGR of 9.8%, outpacing the 5.9% CAGR of international brands during the same period.

Our flagship brand, MAOGEPING, introduced in 2000, is the first domestic premium beauty brand in China and has achieved a leading position among all domestic beauty brands. In terms of retail sales in 2023, MAOGEPING was the only domestic brand among the top 15 premium beauty brands in China, ranking 12th with a market share of 1.8%, according to Frost & Sullivan. MAOGEPING offers an extensive portfolio of color cosmetics and skincare products, inspired by the rich oriental aesthetics and the light and shadow makeup artistry. In particular, light and shadow makeup artistry refers to the strategic use of highlighting and contouring techniques to enhance facial structure, while "oriental aesthetics" encapsulates the beauty ideas and principles originating from traditional Chinese culture, serving as the creative foundation that directs our product development initiatives. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, MAOGEPING contributed 96.6%, 98.4%, 99.0%, 99.0% and 99.3% of our total revenue from product sales, respectively. In 2008, we expanded our brand portfolio with the launch of Love Keeps, offering an assortment of color cosmetics and skincare products with a focus on quality and affordability that caters to a wide spectrum of consumer preferences. As of June 30, 2024, our product portfolio comprised 387 SKUs under both brands, including 337 in color cosmetics and 50 in skincare. In the six months ended June 30, 2024, revenue generated from sales of our color cosmetics and skincare products accounted for 57.1% and 42.9% of our total revenue from product sales, respectively. Rooted in the belief that maintaining superior skin condition is the foundation for achieving optimal makeup results, our focus on both color cosmetics and skincare products has ensured a strong growth momentum of our brand.

Our commitment extends beyond product development to include professional makeup artistry training. Dedicated to raising the standard of makeup artistry and aesthetic literacy in China, we offer comprehensive in-person makeup training programs at our Institutes of Makeup Artistry nationwide, disseminating our deep-rooted knowledge in makeup artistry and Mr. Mao's aesthetics philosophy to budding makeup artists and beauty enthusiasts. Supported by our dedicated training personnel, we actively cultivate aspiring talents in our industry which provides a continuous source of artistry creativity.

BUSINESS

We strategically distribute our products through a network of counters in high-end department stores to solidify our brand positioning, augmented by online channels to ensure the wide accessibility of products. With our first counter established in Shanghai's Grand Gateway Plaza in 2003, we became the first premium domestic cosmetics group to establish counters in high-end department stores, according to Frost & Sullivan. According to the same source, we had the second-largest self-operated counter network among all beauty brands in China, which consisted of self-operated 372 counters nationwide as of June 30, 2024. With over 2,700 beauty advisors staffed at our counters as of the Latest Practicable Date, we have established one of the largest counter-based service teams among all domestic and international beauty brands in China, according to Frost & Sullivan, committed to delivering an experiential consumer experience with high-quality customer services. Our counters are designed to feature a designated makeup station, supported by well-trained beauty advisors skilled in makeup knowledge and techniques to offer consumers professional makeup trials that augment the effects of our products. Our online channels provide a wide array of product options that offer the convenience of shopping. We also captivate our audience with live-streamed product showcases and makeup tutorials, further enriching the consumer experience. In the six months ended June 30, 2024, revenue generated from product sales through our offline and online sales channels accounted for 50.9% and 49.1% of our total revenue from product sales, respectively.

As the leader among China's domestic premium beauty brands, we have experienced rapid growth throughout the Track Record Period. Our total revenue increased from RMB1,577.3 million in 2021 to RMB1,829.1 million in 2022 and further increased to RMB2,886.0 million in 2023, representing a CAGR of 35.3% from 2021 to 2023. Our total revenue also increased by 41.0% from RMB1,398.5 million in the six months ended June 30, 2023 to RMB1,971.5 million in the same period in 2024. In addition, our net profits increased from RMB330.9 million in 2021 to RMB352.1 million in 2022 and further increased to RMB663.5 million in 2023, representing a CAGR of 41.6% from 2021 to 2023. Our net profits also increased by 41.0% from RMB349.3 million in the six months ended June 30, 2023 to RMB492.5 million for the same period in 2024. According to Frost & Sullivan, our revenue growth rate during the Track Record Period significantly exceeded the industry average. With outstanding sales performance, we constantly solidify our market leadership and brand equity within the premium beauty industry.

OUR STRENGTHS

We believe that the following strengths set us apart from our peers and allow us to capitalize on the market opportunities for our future development.

Strong Leadership Established by Mr. Mao, a Renowned Makeup Artist in China’s Beauty Industry, Forging our Brands with Aesthetic Philosophy and Entrepreneurial Spirit

Our leadership is centered around a strong creative team led by Mr. Mao, a renowned makeup artist in China’s beauty industry. Our leadership team’s collective vision has laid the foundation for our Company’s enduring growth. With approximately four decades of experience in makeup artistry, Mr. Mao pioneered an aesthetic philosophy combining the essence of light and shadow makeup artistry with oriental aesthetics, which lays out the road map for our success in the development of beauty products. Mr. Mao has participated in the makeup and styling for a number of well-known television and film works and stage productions since 1984. Applying his light and shadow makeup artistry and deep understanding of facial contouring, Mr. Mao has successfully created a series of memorable film and television characters, most notably with the portrayal of “Empress Wu Zetian” as a testament to his ability to craft a character’s visage across varying ages with remarkable makeup skills. Widely recognized as the “magical makeup artist,” Mr. Mao has applied his makeup artistry and creativity expertly to enhance the allure and complexity of the characters he transforms, leaving a profound impression on the audience. Mr. Mao has been awarded the “Makeup and Styling Golden Statue Award (化妝金像獎)” on four occasions by the China Society of Motion Picture and Television Engineers (中國電影電視技術學會), an authoritative organization in China’s makeup industry. In August 2008, Mr. Mao served as the personal makeup artist for Mr. Rogge, President of the International Olympic Committee, during the Beijing Olympic Games’ opening ceremony. In addition, Mr. Mao’s entrepreneurial spirit has been instrumental in preserving the consistent high quality of our products and driving the success of our Group. In November 2023, Mr. Mao received the “22nd Outstanding Entrepreneur of Zhejiang Province” award from the Zhejiang Enterprise Federation and the Zhejiang Entrepreneurs Association. In December 2023, he was honored with the Ernst & Young Entrepreneur of The Year awarded by Ernst & Young Greater China.

We believe that the inception of premium beauty brands often centers around the distinctive artistic and design philosophy established by their founders. Mr. Mao, drawing upon his aesthetic philosophy, has become the first Chinese makeup artist that created his eponymous beauty brand, MAOGEPING, which is also the first domestic premium beauty brand in China, according to Frost & Sullivan. Dedicated to the dissemination of China’s rich cultural heritage and legacy, MAOGEPING offers exclusive products that resonate with the depth of oriental heritage. The fusion of oriental cultural interpretation with cosmetic technology has subverted the prevailing market perception of China’s beauty industry, which was not previously associated with premium product offerings. With the launch of MAOGEPING, Mr. Mao has established a new standard within China’s beauty industry, propelling its development.

BUSINESS

Our portfolio of beauty products encapsulates Mr. Mao's artistic attainments in oriental aesthetics. With a deep understanding of the functional needs inherent to beauty products, we have merged light and shadow makeup artistry with practicality in our product design. This has led to a comprehensive portfolio of beauty products, catering to the increasing market demand and expectations for beauty.

Mr. Mao's influence on the brand's trajectory extends beyond his professional acumen and creative vision, as his passion towards makeup artistry and personal reputation and influence in the industry has become a powerful asset in its own right. His social media presence amplifies our brand visibility and appeal to consumers. As of the Latest Practicable Date, topics related to Mr. Mao and MAOGEPING had garnered over 6.2 billion interactions on Weibo and 4.9 billion interactions on Douyin. His ability to authentically engage with consumers through these platforms fosters a community of brand advocates and potential consumers, further enhancing our brand reputation and driving consumer recognition and loyalty. Founded on Mr. Mao's artistic philosophy and entrepreneurial spirit, and coupled with our institutionalized practices, innovative R&D initiatives and a dedicated senior management team, we are well equipped to maintain long-term growth, leveraging the synergistic interplay of Mr. Mao's vision and the collective efforts of the broader organization.

Leader in China's Premium Beauty Market, with Over Two Decades of Industry Expertise, Sustaining Rapid Growth

Founded in 2000 by Mr. Mao, we have established a strong presence in China's beauty industry. We are the only domestic market player among the top ten premium beauty groups in China, ranking seventh by retail sales in 2023 with a market share of 1.8%, according to Frost & Sullivan. Our flagship brand, MAOGEPING, was the only domestic brand among the top 15 premium beauty brands in China, ranking 12th by retail sales in 2023 with a market share of 1.8%, according to Frost & Sullivan. With a particular focus on the department store channel that represents the largest and most prestigious sales channel in China's beauty industry, MAOGEPING was also the largest domestic color cosmetics brand in terms of retail sales generated from offline and, in particular, the department store channel in China by retail sales in 2023, according to the same source. Collectively, our market rankings reflect our robust stance and strategic positioning within the premium beauty industry.

Our strategic partnerships with reputable brands and institutes have been pivotal in enhancing our brand visibility and consolidating our market stance. In partnership with the Cultural and Creative Institute of the Palace Museum (故宮文創), we launched the "Eastern Aura Elegance (氣蘊東方)" collection, seamlessly blending traditional cultural values with contemporary fashion and ideals. We designed an exclusive product line, MAOGEPING • LIGHT (毛戈平•光韻), for Sephora, which bolsters our brand recognition and extends our product outreach. Additionally, we crafted the "Spark Shining (火花潤耀)" sports series for TEAM CHINA's national athletes, a partnership instrumental in promoting the essence of sportsmanship and the aesthetics of athleticism internationally. In 2021, MAOGEPING became the official designated beauty product and service provider for the Hangzhou 2022 Asian Games, and our products and services are provided free of charge as part of the sponsorship.

BUSINESS

We were named as one of the official sponsors for China’s artistic swimming team in 2022, and TEAM CHINA in 2023, and our products and services are provided free of charge as part of our sponsorship. See “— Branding and Marketing — Brand Building — Celebrating Positive Lifestyle.”

As the leader among China’s domestic premium beauty brands, our business continued to grow rapidly throughout the Track Record Period. Our total revenue increased from RMB1,577.3 million in 2021 to RMB1,829.1 million in 2022 and further increased to RMB2,886.0 million in 2023, representing a CAGR of 35.3% from 2021 to 2023. Our total revenue also increased by 41.0% from RMB1,398.5 million in the six months ended June 30, 2023 to RMB1,971.5 million to the same period in 2024. In addition, our net profits increased from RMB330.9 million in 2021 to RMB352.1 million in 2022 and further increased to RMB663.5 million in 2023, representing a CAGR of 41.6% from 2021 to 2023. Our net profits also increased by 41.0% from RMB349.3 million in the six months ended June 30, 2023 to RMB492.5 million for the same period in 2024. Our revenue growth rate during the Track Record Period was significantly higher than the industry average during the same period, according to Frost & Sullivan.

Comprehensive Product Portfolio Catering to Diverse Consumer Beauty Needs, with Classic Product Designs and a Touch of Oriental Aesthetics

We cultivate our brands to capture the essence of oriental aesthetics, crafting products suitable for diverse consumer needs and preferences across different settings. The color cosmetics market size and skincare market size in China reached RMB116.8 billion and RMB463.0 billion in 2023, representing a CAGR of 4.7% and 8.4% from 2018 to 2023, respectively. The two markets are expected to continue growing at a CAGR of 8.4% and 8.7%, reaching RMB175.2 billion and RMB701.1 billion by 2028, respectively, according to Frost & Sullivan. In response to the market opportunities presented by both color cosmetics and skincare markets, we focus on both product categories to capitalize on the synergies between these markets, offering a comprehensive beauty solution that caters to the diverse needs of our consumers. By doing so, we aim to enhance customer loyalty, expand our market share, and drive sustainable growth through cross-promotion and product development. As of June 30, 2024, our product portfolio comprised 387 SKUs across both product categories. In the six months ended June 30, 2024, sales of color cosmetics and skincare products contributed 55.1% and 41.3% to our total revenue, respectively.

Color cosmetics have been a stable foundation for our business’s robust growth. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales of color cosmetics products amounted to RMB1,026.4 million, RMB1,002.8 million, RMB1,622.2 million, RMB755.4 million and RMB1,085.1 million, respectively. As of June 30, 2024, we offered 337 SKUs in color cosmetics, comprehensively covering foundation, highlights and contours, eye and lip makeup products that cater to consumers’ complete makeup routine from pre-makeup care to setting and finishing touches. We have built a proven track record in introducing popular color cosmetics products that resonate with contemporary

BUSINESS

beauty standards and set trends in our industry. For example, one of our best-selling color cosmetics product series, the Luminous Cream Foundation product series, achieved retail sales of over RMB200.0 million in the six months ended June 30, 2024.

We also experienced significant growth momentum in our revenue generated from sales of skincare products, making it a vital driver to our business growth. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales of skincare products amounted to RMB468.7 million, RMB772.0 million, RMB1,159.7 million, RMB603.9 million and RMB815.0 million, respectively. As of June 30, 2024, we offered 50 SKUs in skincare, comprehensively covering face creams, eye care, facial masks, serums and facial cleanser for a wide range of skin types and skincare needs. Rooted in the belief that maintaining superior skin condition is the foundation for achieving optimal makeup results, some of our best-selling products, such as the Luxury Caviar Facial Mask and Luxury Regenerating Black Cream, are widely recognized for their intensive repair and ability to smooth fine lines and reduce pore visibility upon makeup. Such products synergistically enhance the efficacy of our color cosmetics. In particular, one of our best-selling skincare products, the Luxury Caviar Facial Mask, achieved retail sales of over RMB450.0 million in the six months ended June 30, 2024.

Integrated Sales Network with Experiential Shopping Experience, Fortifying Brand Presence

We have established an extensive sales network integrating online and offline channels, with a focus on self-operated counters in high-end department stores that reinforce our brand image and positioning. Both of our offline and online channels expanded rapidly during the Track Record Period. In the six months ended June 30, 2024, revenue from our offline and online channels accounted for 50.9% and 49.1% of our total revenue for product sales, respectively.

Offline Channels

We have established a strong presence within offline channels, primarily comprising our self-operated counters in high-end department stores, sales to a premium multinational beauty retailer and offline distributors. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales through offline channels amounted to RMB966.0 million, RMB1,080.5 million, RMB1,602.1 million, RMB788.3 million and RMB966.8 million, respectively, representing a CAGR of 28.8% from 2021 to 2023 and a period-to-period growth rate of 22.6% from the six months ended June 30, 2023 to the same period in 2024, both of which were significantly higher than the industry average, according to Frost & Sullivan.

We were the first premium domestic cosmetics group to establish counters in high-end department stores, according to Frost & Sullivan. We had the second-largest self-operated counter network among all beauty brands in China, which consisted of self-operated 372 counters nationwide as of June 30, 2024, according to the same source. With over 2,700 beauty advisors staffed at our counters as of the Latest Practicable Date, we have established one of

the largest counter-based service teams among all domestic and international beauty brands in China, according to Frost & Sullivan, committed to delivering an experiential consumer experience with high-quality customer services.

Our counters are designed to offer experiential and personalized shopping experiences. Equipped with professionally designed makeup stations and staffed with skilled beauty advisors with specialized training, our counters provide consumers with one-on-one makeup trials, half-face comparison demonstrations and customized product consultations. We also organize various types of makeup shows and events at our counters to create a sense of excitement and engagement around our brand. For example, our makeup shows feature live demonstrations by our top makeup artists, showcasing the latest techniques and product launches. These events help to drive foot traffic, generate buzz, and create a memorable brand experience for consumers. As of June 30, 2024, we had over 4.2 million registered members through offline channels. During the Track Record Period, our repurchase rates were significantly higher than the industry average, according to Frost & Sullivan.

Online Channels

Building on the solid brand image, product strengths and consumer trust established in our offline channels, we have expanded our presence on online sales channels. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales through online channels amounted to RMB529.1 million, RMB694.3 million, RMB1,179.8 million, RMB571.0 million and RMB933.2 million, respectively, representing a CAGR of 49.3% from 2021 to 2023 and a period-to-period growth rate of 63.4% from the six months ended June 30, 2023 to the same period in 2024, both of which were significantly higher than the industry average, according to Frost & Sullivan.

We have established a strong presence across multiple online platforms. In particular, MAOGEPING enjoys an extensive social media following that highlights our engagement and influence. For instance, we had attracted over 895,000 followers and received over 2.1 million likes and collections on Xiaohongshu as of the Latest Practicable Date. Our profile on Douyin amassed over 4.4 million followers and over 2.3 million likes, while our online store on Tmall boasted over 6.6 million fans as of the Latest Practicable Date.

We have ventured into emerging online platforms to distribute creative content on our brand story and engaging makeup tutorials to demonstrate our product efficacy. We also collaborated with online platforms to conduct marketing campaigns. For instance, we partnered with Tmall to conduct the “Light and Shadow 20th Anniversary” campaign in celebration of our 20th anniversary. We collaborated with Douyin, a popular short-video platform in China, to host the “Oriental Selection” event. We also partner with reputable KOLs who test and endorse our products through short videos, posts, or livestreaming sessions on popular social media platforms. These endorsements resonate with their followers and enhance our brands’ visibility and credibility. See “— Branding and Marketing.”

Cross-Channel Synergy

Our strategic integration of online and offline channels generates a synergistic effect that drives cross-channel product sales. Consumers initially engaged at our offline channels frequently become our advocates and repeat buyers online, further promoting our brand and products. By directing online viewers to our counters, we provide them with one-on-one makeup trials and customized product consultations, enriching their consumer experience and fostering brand loyalty. This seamless interaction between channels not only enhances consumer satisfaction but also bolsters our brand's overall market presence.

Commitment to Excellence in Product Design and Development Yields Consistent High Quality

Our product design and development efforts are inspired by our founder, Mr. Mao, whose deep understanding of light and shadow makeup artistry, oriental aesthetics and beauty product design and development forms the foundation of our creative process. We have established a product development team consisting of an Art Committee and a Core Product Design and Development Team, who collaborate closely to guide the direction of product design and development, while engaging ODM providers to collectively transform our core aesthetic concepts and market insights into product solutions. As of June 30, 2024, our product development team was comprised of 58 experienced personnel, with 74.1% holding a bachelor's degree or above. These team members bring an average of over 12 years of working experience, with diverse backgrounds in areas such as molecular biology and chemical engineering, and rich experiences from leading positions in multinational pharmaceutical companies and biotechnology firms.

Our comprehensive expertise in product design and development is multifaceted, encompassing (i) a deep-rooted aesthetic philosophy informed by oriental aesthetics and the principles of light and shadow makeup artistry, which steers our product design direction; (ii) a thorough understanding of product functionality and performance, enabling us to anticipate and meet consumer expectations; (iii) a meticulous selection process for ingredients and formulas that guarantees the superior quality of our products; and (iv) proficiency in light and shadow makeup artistry and other professional makeup application techniques, which empowers us to create products that are not only easy to apply but also deliver great makeup looks and versatility for various occasions. Offerings such as our 3D Light Highlighting Powder and 3D Light Three-color Shading Compact are successful examples of how we apply our aesthetic philosophy to enhance facial contours effectively. For example, our Ivory Skin Primer Cream, formulated with Vitamin E, beeswax and botanical oils, exemplifies our commitment to personalized beauty solutions that cater to diverse beauty needs, ensuring a flawless base for makeup application, a natural finish, and essential skin nourishment.

Based on such comprehensive expertise, we foster strategic partnerships with select ODM providers to supplement our product development capabilities. Our Core Product Design and Development Team carefully selects ODM providers that align with our product development philosophy, collaborates on design and development requirements, and jointly crafts product

formulas. These partnerships enable us to leverage their technical know-how, manufacturing capabilities, and quality control measures to improve product design and development efficiency, while allowing us to concentrate on our core strengths in product conceptualization, design and branding and to uphold the high standards of quality and consistency that our brand is known for. Moreover, by collaborating with these providers, we are able to leverage their economies of scale to optimize our cost structure. This symbiotic relationship not only enhances our operational efficiency but also allows us to offer our high-quality products at competitive prices. These ODM partnerships are carefully managed to ensure that cost savings do not compromise the quality or integrity of our products, aligning with our commitment to deliver exceptional value to our customers.

Drawing on over two decades of experience and inspired by Mr. Mao's aesthetic philosophy, we have established rigorous product development standards. Mr. Mao's hands-on involvement in the product development process further ensures that our offerings adhere to a high standard of excellence in terms of quality and makeup effects. Our commitment to uncompromising quality mandates that each product undergoes a thorough and time-intensive process, which involves iterative prototype testing and feedback by the makeup artists in our Institutes of Makeup Artistry, until it meets our exacting standards for product launch. Typically, our product development timeline ranges from six to eight months, while certain special-edition items may take 10 to 12 months due to their complexity. We are also committed to the continuous optimization of our product offerings in terms of ingredients, formulas, and concepts to ensure the allure of our products.

Persistently Cultivating Talent to Promote the Philosophy of Oriental Aesthetics

Dedicated to raising the standard of makeup artistry and aesthetic literacy in China, we had established nine Institutes of Makeup Artistry in China as of the Latest Practicable Date, namely, Hangzhou, Beijing, Shanghai, Chengdu, Shenzhen, Chongqing, Wuhan, Qingdao and Zhengzhou. Such a nationwide makeup training service network positions us as one of the largest makeup artistry training institutes in China in terms of program participants enrollments in 2023, according to Frost & Sullivan. We endeavor to explore, cultivate and advocate beauty through our makeup artistry training programs, strengthening and solidifying our brand value. Supported by our dedicated training personnel, we actively cultivate aspiring talents in our industry which provides a continuous source of artistry creativity. Our training personnel and program participants diligently promote our aesthetic philosophy and thereby augment the prestige of MAOGEPING on a national scale.

Our training programs are complemented with MAOGEPING cosmetics and beauty tools, ensuring a highly professional training experience. This integration not only solidifies the foundation of aesthetic theory but also elevates the visibility of our products within the professional makeup community. The training process is ingeniously designed to generate constructive feedback for our product line, enabling iterative product upgrades. This collaborative synergy with our training personnel and program participants complements our product development process, which is instrumental in the continued refinement of our offerings and nurtures a virtuous cycle of growth for our business.

BUSINESS

We have cultivated a number of outstanding talents for our industry through the makeup training programs. Our program participants pursue successful careers across a spectrum of sectors, including film, fashion, design, weddings, photography, media, blogging and retail. They serve as ambassadors of our aesthetic philosophies and the MAOGEPING brand and reinforce our influence within the beauty industry. Furthermore, we maintain a strong talent pipeline, with select program participants advancing to pivotal roles within our Group, such as headquarters employees, training personnel, or counter beauty advisors. This strategic talent cultivation not only enriches our internal resources but also ensures the sustainable growth of our brand.

Experienced Management Team and Dedicated Workforce Committed to Our Vision and Values

Our experienced management team works in tandem with our visionary founder, Mr. Mao, to drive our success and rapid growth. See “Directors, Supervisors and Senior Management” for members of our management team. Our management team’s diverse skill sets and unwavering commitment to our vision have been critical to our success in executing Mr. Mao’s creative vision. Their leadership has firmly established our MAOGEPING brand as an industry leader.

Our dedicated workforce is also vital to our success. As of June 30, 2024, we had 3,725 full-time employees across various departments. We foster a corporate culture that values passion, creativity, collaboration and continuous learning. Through comprehensive training programs and development opportunities, we nurture our employees’ professional growth and enhance their skill sets to drive our long-term success.

Our management and workforce are committed to the following shared values that form the foundation of our corporate culture:

- Crafting perfection through artisanship: Living the mission, fostering commitment and pursuing excellence.
- Putting contributors first: Rallying contributors, generating value, and rewarding contribution.
- Upholding innovation spirit: Creating differentiated products, embracing open-mindedness, and enhancing consumer engagement.

OUR STRATEGIES

We believe the following strategies pave the way for our sustained success in the future.

Enhancing Sales Network Coverage to Broaden Consumer Engagement

We are committed to augmenting the coverage of our offline sales channels by establishing brand stores in cities with existing presence and penetrating surrounding cities, thereby consolidating our offline presence and extending our offline retail reach. We aim to elevate our brands' visibility and influence through establishing counters in high-end department stores, as well as establishing stores under our flagship brand MAOGEPING nationwide. Counters in department stores offer a focused, brand-dedicated space within a larger retail environment, allowing for personalized customer service and demonstrations in a high-traffic setting. Additionally, stores under the MAOGEPING brand provide a holistic brand experience, featuring a broader range of products and the brand's aesthetic, enabling deeper engagement with the brand's identity and values. Furthermore, we plan to implement a comprehensive upgrade of our department store counters. This refurbishment plan is designed to enhance the artistic and visual presentation of our counters, enrich the consumer experience with an elevated sensory journey, and further bolster our brand's prestigious image.

Our strategy for online expansion focuses on both establishing our proprietary official online store and expanding our online presence on third-party e-commerce platforms. This strategy is geared towards optimizing our online presence, widening our product accessibility to consumers and appealing to a broader demographic. Key to this strategy is our strengthened efforts in online marketing activities. We plan to amplify our online footprint through increased promotional activities, strategic KOL collaborations, and a foray into burgeoning online platforms. These targeted efforts are aimed to utilize diverse advertising techniques to unlock new avenues for online growth. In parallel, we plan to upgrade our membership system to foster deeper member engagement and brand loyalty, and drive higher repurchase rates. Through these approaches, we aim to seamlessly integrate and maximize the synergies between our online and offline channels.

Continue Focusing on Color Cosmetics and Skincare and Exploring New Product Categories

Our product development strategy is underpinned by a dual focus on color cosmetics and skincare to introduce distinctive products. This strategy is characterized by a commitment to continuously optimize our product offerings, leveraging insights from product development, market trends and professional makeup standards. We also plan to develop a new product development agenda that aims to broaden our portfolio across different categories, functionalities, application settings and target audiences.

For color cosmetics, we plan to develop specialized products that cater to diverse skin tones and types, aiming to retain and expand our market share and prominence within the color cosmetics industry. For skincare, we aim to enrich our skincare product offering. This involves the adoption of effective ingredients and technologies to launch more popular skincare products.

In addition, our product development plans include exploring new product categories. Notably, we intend to launch an exclusive fragrance line, introducing perfumes and fragrance products that reflect our distinctive brand identity. This initiative is poised to diversify our product range, enhancing the allure and competitive positioning of our brand in the broader cosmetics market.

Strategically Upgrading and Expanding Brand Portfolio with MAOGEPING as the Anchor

Our brand development strategy is centered around the refinement of our existing brands alongside the strategic incubation of new premium brands. This strategy will set the stage for us to become a diversified multi-brand conglomerate anchored by MAOGEPING brand. Through these initiatives, we aim to bolster the prestige of the MAOGEPING brand, and to enrich our brand portfolio, catering to a wider consumer base and capturing diverse market opportunities.

In a concerted effort to develop our existing brand, Love Keeps, we are committed to redefining its market position and initiating targeted strategies to carve out an innovative growth path. This will entail an overhaul of the brand's identity, a strategic repositioning to align with evolving market dynamics, and a revitalization of consumer engagement approaches. We intend to ensure that Love Keeps resonates with contemporary consumer expectations and drive growth and innovation within our brand portfolio.

We also plan to explore and pursue investment and acquisition opportunities in brands with potential for growth and offer synergies that complement our existing brand portfolio. We primarily target brands that already captured a respected market position and market share, possess proprietary technology, product formula and patents, and position within the mid- to high-end segments of the beauty industry. As of the Latest Practicable Date, we had not identified any potential investment or acquisition targets or entered into any agreements in this regard.

Strengthening Global Brand Presence and Overseas Market Penetration

We aim to elevate our market position as a distinguished cosmetics group globally, advancing our brand's reputation and influence through an overseas expansion strategy. This endeavor aims to position us prominently in the global beauty industry.

We are poised to strategically penetrate overseas markets with a dual-channel approach that encompasses both counters in department stores and online stores in overseas markets. This expansion strategy is designed to amplify our brand's exposure among global consumers. Integral to our approach is forging partnerships with high-end department stores worldwide, a move that will serve to solidify our brand image and embed our presence in the consciousness of overseas consumers. Moreover, to compete effectively with international brands in overseas markets such as Europe, America and Asia-Pacific region, we are enhancing our competitive strategies by focusing on different product and branding strategies that cater to regional beauty

BUSINESS

trends and consumer preferences. We are committed to assembling local teams dedicated to product development, marketing and sales in overseas markets. This localization strategy ensures our product offerings are tailored to the distinct characteristics and needs of local consumers, fostering product relevance and appeal. Additionally, we are exploring strategic investment and acquisition opportunities, such as those with business focus on beauty brands that are aligned with our premium market position and with products that could be complementary to our product offerings, and those along our supply chain with production capabilities, to develop products that align with the specific climatic conditions and consumer characteristics of each region. Building on our current arrangements, we plan to collaborate with industry partners who have complementary resources. Such collaboration aims to incentivize them to develop, operate and leverage our brand assets in additional sales channels, and to increase our international competitiveness in marketing, supply chain and talent acquisition. These efforts aim to enhance our brand image and expand our reach into untapped markets. In addition, we plan to establish our presence through both online and offline channels, including a proprietary official online store which will serve as the cornerstone of our brand experience. Our marketing and branding efforts will be centered around the oriental aesthetics, engaging with customers through the lens of oriental artistry to convey our brand story. In addition, we aim to leverage sales channels through third parties, including multinational beauty retailers and high-end department stores, to reach the local consumers. By combining the allure of oriental-inspired products with insights of local markets, we aim to establish our presence in these overseas markets.

Embarking on this journey towards overseas expansion, we are confident in significantly bolstering our competitive edge, aiming to become a leader in the global premium beauty industry.

Upholding Brand Positioning Founded on Makeup Artisanhip, Advancing Product Development and Makeup Artistry Training

Product development and makeup artistry training programs are fundamental to our continued success. As such, we were in the progress of constructing our Hangzhou R&D Center to strengthen our product design and development capabilities as of the Latest Practicable Date, with completion and commencement of operations anticipated by the end of 2026. We do not intend to use the net proceeds received from the Global Offering on the construction of the Hangzhou R&D Center.

To enhance our in-house R&D capabilities, we have developed a comprehensive strategy. This strategy involves increasing our involvement in key R&D steps by identifying critical areas where we can enhance our direct participation, including formula design, production process optimization, and product testing. We are also prioritizing high-potential product lines, focusing our R&D efforts on offerings with the greatest potential return on investment, such as skincare products, which aligns with market trends and our existing strengths. Additionally, as we develop in-house manufacturing capabilities, we plan to integrate our R&D efforts with production processes, creating synergies that enhance both innovation and operational efficiency.

BUSINESS

Looking ahead, we plan to further establish R&D centers at our headquarters and overseas to develop proprietary product formula, foster collaboration with overseas research institutes, and enhance product efficacy. While not generating revenue in overseas markets during the Track Record Period, we recognize the significant potential of these markets and value advanced technologies and product formulas from abroad. Establishing overseas R&D centers will facilitate collaboration with local laboratories, keep pace with the latest product formulations and technologies, and develop products tailored to local markets, thereby driving product sales. These overseas R&D centers will also attract and employ local professional talents, enriching our product development with global insights and directions. Such a strategic approach is aimed at continuously sharpening our products' competitive edge, fortifying our position as a premium beauty brand founded on professional artisanship.

In line with our dedication to professional makeup artistry training, we plan to upgrade and expand our existing training facilities. This includes the expansion of existing institutes as well as the establishment of additional institutes to extend the reach of our makeup artistry training programs. Our goal is to meet the growing demand for professional makeup training among a wider customer base. We are also focused on upgrading our online training platforms, introducing programs that advocate our aesthetic philosophy and further elevate MAOGEPING's stature. We are committed to strengthening our training personnel, ensuring a high standard of training quality and continuous improvement.

OUR BUSINESS

We are committed to offering consumers a comprehensive beauty experience characterized by high-quality beauty products, professional makeup artistry training, and experiential and personalized customer service.

Product Offerings

Drawing upon the aesthetic philosophy of our founder, we have created beauty products that capture the essence of light and shadow makeup artistry and oriental aesthetics to bring out the best makeup effects. We primarily operate two beauty brands: our flagship brand MAOGEPING and Love Keeps. We offer a selective portfolio of color cosmetics and skincare products under each brand, speaking to different consumer demographics. Our commitment to quality is deeply embedded in our corporate culture and influences every facet of our operations from product design to consumer engagement, solidifying our premium market position and broad market recognition.

MAOGEPING. As our flagship brand launched in 2000, MAOGEPING was named after our founder, Mr. Mao Geping (“Mr. Mao”). MAOGEPING offers a wide array of products guided by the light and shadow makeup artistry and oriental aesthetics. In particular, “light and shadow makeup artistry” refers to the strategic use of highlighting and contouring techniques to enhance facial structure. “Oriental aesthetics,” on the other hand, encapsulates the beauty ideas and principles originating from traditional Chinese culture, characterized by Chinese elements that deeply resonate with Chinese consumers. Our commitment to such aesthetic

BUSINESS

philosophy has cemented MAOGEPING’s positioning within the premium beauty industry, blending artistry with makeup techniques and the essence of oriental culture to enhance makeup effects. Based on criteria aligned with industry standards including retail prices, sales channels and brand recognition, MAOGEPING was the only domestic brand among the top 15 premium beauty brands in China, ranking 12th by retail sales in 2023 with a market share of 1.8%, according to Frost & Sullivan. Throughout the Track Record Period, we primarily derived our revenue from product sales of MAOGEPING, which contributed 96.6%, 98.4%, 99.0%, 99.0% and 99.3% of our total revenue from product sales in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Love Keeps. In 2008, we expanded our brand portfolio with the launch of Love Keeps, tailored to consumers who seek both quality and affordability. Love Keeps offers an assortment of color cosmetics and skincare products that deliver reliable performance at accessible price points. By targeting the mass market, Love Keeps ensures accessibility to a broad range of customers.

The following table sets forth a brief comparison of MAOGEPING and Love Keeps in the following aspects:

	MAOGEPING	Love Keeps
Target Customers	Consumers who value quality, luxury and exclusivity	Consumers who seek both quality and affordability
Types of Products	Color cosmetics and skincare products	Color cosmetics and skincare products
Recommended Price Range for Major Products	RMB200 – RMB800	RMB120 – RMB380
Marketing Strategy	Primarily sold through counters in selected department stores and other offline and online sales channels	Primarily sold through offline distributorship

BUSINESS

Makeup Artistry Training

Dedicated to raising the standard of makeup artistry and aesthetic literacy in China, we had established nine Institutes of Makeup Artistry in China as of the Latest Practicable Date. We offer comprehensive in-person makeup training programs at these institutes to disseminate our deep-rooted knowledge in makeup artistry and Mr. Mao's aesthetic philosophy to makeup artists and beauty enthusiasts. As of June 30, 2024, we had 194 training personnel and 3,539 program participants enrolled in our training institutes. We offer a wide range of training programs designed to meet the diverse needs and aspirations of our program participants, from basic makeup techniques to advanced aesthetic concepts. Our investment in makeup artistry training not only bolsters our brand image and reputation, but also synergizes with our product development and sales, ensuring a well-rounded and enriching beauty experience that resonates with consumers and industry professionals alike.

The following table sets forth our revenue breakdown by business line and product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Product Sales										
– Color cosmetics	1,026,354	65.1	1,002,772	54.8	1,622,185	56.2	755,364	54.0	1,085,050	55.1
– Skincare	468,713	29.7	771,969	42.2	1,159,707	40.2	603,909	43.2	814,972	41.3
Subtotal	1,495,067	94.8	1,774,741	97.0	2,781,892	96.4	1,359,273	97.2	1,900,022	96.4
Makeup artistry training and related sales	82,280	5.2	54,371	3.0	104,072	3.6	39,258	2.8	71,504	3.6
Total	1,577,347	100.0	1,829,112	100.0	2,885,964	100.0	1,398,531	100.0	1,971,526	100.0

Experiential and Personalized Customer Service

We strategically distribute our products through a network of counters in high-end department stores to solidify our brand positioning, augmented by online channels to ensure the wide accessibility of products. With our first counter established in Shanghai's Grand Gateway Plaza in 2003, we became the first premium domestic cosmetics group to establish counters in high-end department stores, according to Frost & Sullivan. As of June 30, 2024, we operated a total of 372 self-operated counters covering over 120 cities nationwide. Our counters are carefully designed to offer customized consultations and proficient makeup trial services, creating an experiential and personalized shopping experience for consumers. With over 2,700 beauty advisors staffed at our counters as of the Latest Practicable Date, we have established one of the largest counter-based service teams among all domestic and international beauty

BUSINESS

brands in China according to Frost & Sullivan, committed to delivering a satisfactory consumer experience with high-quality customer services. In addition, our online channels provide a wide array of product options that offer the convenience of shopping. We also captivate our audience with live-streamed product showcases and makeup tutorials, further enriching the consumer experience.

The following table sets forth the total sales volume and average selling prices of our products by product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Sales Volume	Average Selling Price ⁽¹⁾	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	<i>Unit in thousands</i>	<i>RMB per unit</i>	<i>Unit in thousands</i>	<i>RMB per unit</i>	<i>Unit in thousands</i>	<i>RMB per unit</i>	<i>Unit in thousands</i>	<i>RMB per unit</i>	<i>Unit in thousands</i>	<i>RMB per unit</i>
Color Cosmetics . . .	6,895.4	148.8	6,346.1	158.0	9,718.8	166.9	4,710.5	160.4	6,622.7	163.8
Skincare	<u>1,398.7</u>	<u>335.1</u>	<u>2,244.6</u>	<u>343.9</u>	<u>3,598.1</u>	<u>322.3</u>	<u>1,879.3</u>	<u>321.4</u>	<u>2,351.0</u>	<u>346.6</u>
Overall	<u>8,294.1</u>	<u>180.3</u>	<u>8,590.7</u>	<u>206.6</u>	<u>13,316.9</u>	<u>208.9</u>	<u>6,589.8</u>	<u>206.3</u>	<u>8,973.7</u>	<u>211.7</u>

Note:

- (1) The average selling price accounts for the prices of products sold through all sales channels, including direct sales to consumers, as well as sales made to retailers and distributors.

The average selling prices are generally lower than the high end of the listed price range primarily due to: (i) lower prices of products sold to retailers and distributors than that to consumers as we offer discounts for bulk purchases, which is in line with typical industry practice; and (ii) the calculation of average selling price excludes Value Added Tax (“VAT”) and incorporates adjustments for sales discounts, loyalty points and other promotional activities that affect the final selling price.

Color Cosmetics

Our color cosmetics offering encompasses a wide range of foundation, highlighting and contouring, eye and lip makeup products, meticulously designed to cater to the unique skin conditions, facial structures and aesthetic preferences of Chinese consumers. As of June 30, 2024, we offered 337 SKUs in color cosmetics. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales of color cosmetics products amounted to RMB1,026.4 million, RMB1,002.8 million, RMB1,622.2 million, RMB755.4 million and RMB1,085.1 million, respectively, accounting for 65.1%, 54.8%, 56.2%, 54.0% and 55.1% of our total revenue for the same periods.

Foundation

To cater to consumers' needs for a complete makeup routine from pre-makeup care to setting and contouring, we have introduced a comprehensive set of foundation products including primer, concealer, foundation, setting powder and blush. In particular, our foundation products are formulated with select ingredients to create a cream texture that provides a natural and long-lasting finish suitable for our consumers. Below sets forth our representative foundation products:



*Luxury Caviar Flawless
Cushion Liquid
Foundation*
SPF30/PA+++ (奢華魚子
無瑕氣墊粉底液
SPF30/PA+++)



Ivory Skin Primer Cream
(凝脂柔肌妝前霜)



*Luminous Perfect
Cream Foundation* (光感美
肌無痕粉膏)



*Luminous Moisture
Liquid Foundation* (光感柔
潤粉底液)

Highlighting and Contouring

Our highlighting and contouring products, particularly the Light and Shadow Collection (光影系列), are designed with textures and shades to help craft a more defined facial structure for consumers. Below sets forth our best-selling highlighting and contouring product, 3D Light Highlighting Cream Foundation (光影塑顏高光粉膏):

3D Light Highlighting Cream Foundation (光影塑顏高光粉膏)

The 3D Light Highlighting Cream Foundation is one of our signature color cosmetics products and has been on the market for over a decade. This foundation has evolved through extensive market testing and continued iterations, and is with its fourth generation as of the Latest Practicable Date.



Based on the philosophy of light and shadow makeup artistry, the 3D Light Highlighting Cream Foundation is designed to create a sculpted porcelain look. It features a dual-dimension design that allows for a combination of matte and shimmer finishes. This product provides a natural luminosity and enhances facial features, achieving an optimal base for a variety of makeup styles.

Below sets forth some other representative products of our Light and Shadow Collection:



3D Light Highlighting Powder (光影塑顏高光粉餅)



3D Light Three-color Shading Compact (光影塑顏三色修容餅)



3D Shadow Compact Powder (柔光收顏粉膏)



3D Light Nose Bridge Lifting Palette (光影塑顏立體鼻影粉)

Eye Makeup

We have introduced a select range of eye makeup products including eyeshadows, eyeliners and mascaras to meet the evolving beauty preferences of customers. Our eyeshadows are available in an assortment of shimmer and matte finishes across a diverse color spectrum, catering to different makeup styles and occasions and allowing for creative and personalized eye looks. We also introduced eyeliners in a variety of colors other than black, catering to consumer demand for more vibrant and colorful eye makeup effects, thus broadening the scope for self-expression and creativity in daily makeup routines. Below sets forth our representative eye makeup products:



Sculpture Bright Eyeshadow (塑形晶彩眼影)



Sculpture Duo Eyebrow Powder (塑形雙色眉影粉)



Sculpture Exquisite Liquid Eyeliner (塑形精緻持久眼線液)



Sculpture Water-proof Mascara (塑形防水睫毛膏)

Lip Makeup

Our lip makeup range is meticulously formulated to enhance lips' natural hue suitable for different makeup styles and occasions. We are also exploring new textures in lip makeup products to provide a novel sensory experience. Below sets forth our representative lip makeup products:



Feathery Air Matte Lip Glaze (羽霧空氣啞光唇釉)



Allure Moisturizing Lipstick (魅色凝潤唇膏)



Allure Velvety Lipstick (魅色絨霧唇膏)



Silky Elegant Lipstick (絲柔雅致唇膏)

Limited-Edition Products

Our color cosmetics product lines also feature limited editions that encapsulate industry trends, celebrate traditional cultures, and incorporate advanced technology for enhanced application and wear. Below sets forth our representative limited edition products, Eastern Aura Elegance (氣蘊東方) collection.

Eastern Aura Elegance

Embracing the philosophy of championing traditional culture through contemporary fashion and modern ideals, our “Eastern Aura Elegance” collection, now in its fifth generation, was created in collaboration with Cultural and Creative Institute of the Palace Museum. This collection elegantly infuses rich oriental motifs into modern beauty concepts, masterfully incorporating the centuries-long legacy of the Palace Museum and the quintessence of oriental aesthetics into its product offerings. As MAOGEPING’s pinnacle in oriental aesthetics, the collection crafts products that validate and perpetuate culture. The interpretation of oriental culture, fused with cosmetic technology, has earned the collection widespread acclaim and a devoted brand following. Below sets forth our representative products in the “Eastern Aura Elegance” collection:



Frolicsome Royal Kitty Eyeshadow Palette
(御貓嬉戲多用眼彩盤)



Sunny Spring with Flying Butterfly Rouge
(晴春蝶戲漫彩胭脂)



Calligraphy And Bamboo Charming Dual Color Highlight Palette
(翰墨賦竹傾顏雙色高光盤)



Dancing Crane Eternity Pressed Powder
(鶴舞翩躚駐顏蜜粉餅)



Fragrance And Shadow Wear Pressed Powder
(暗香疏影凝顏粉餅)



Rouged Lotus Brilliance Lip Powder Palette
(點絳蓮兮燦顏唇粉盤)

Skincare Products

Drawing on our extensive experience in product design, development, distribution and branding, coupled with a loyal consumer base established in the color cosmetics sector, we have expanded our portfolio to include skincare products. Our skincare offerings comprehensively span face creams, eye care, facial masks, serums and cleansers, designed to meet the diverse skin types and skin care requirements of consumers. We firmly believe that maintaining superior skin condition is the foundation for achieving optimal makeup results. In alignment with this belief, our Luxury Caviar Facial Mask and Luxury Regenerating Black Cream, in particular, have been widely recognized for their intensive repair capabilities and superior effects in smoothing fine lines and reducing pore visibility, thereby synergistically enhancing the efficacy of our color cosmetics. As of June 30, 2024, we offered 50 SKUs in skincare. Below sets forth our best-selling and signature skincare product, Luxury Caviar Facial Mask:

Luxury Caviar Facial Mask (奢華魚子面膜)

The Luxury Caviar Facial Mask has been one of our best-selling skincare products since its launch. By improving the skin condition, the mask provides an optimal base for makeup application, synergistically enhancing the effects of our color cosmetics.



The Luxury Caviar Facial Mask is formulated with a rich blend of Siberian caviar and ginseng essence that effectively hydrates the skin and improves the skin's firmness and texture. It also tackles signs of aging by revitalizing the skin and strengthening the skin barrier. In the six months ended June 30, 2024, the product achieved retail sales of over RMB450.0 million.

Below sets forth our representative skincare products:



Luxury Caviar Lotion
(奢華魚子菁華水)



Luxury Caviar Multi-Functional Ampoule Essence
(奢華魚子多效安瓶精華液)



Luxury Time-inverse Recovery Eye Essence
(奢華至臻潤養緊顏眼部精華)



Luxury Regenerating Energizing Essence
(奢華養膚煥能精華蜜)

BUSINESS



*Luxury Regenerating
Black Cream*
(奢華養膚黑霜)



*Premium Nutritive
Anti-aging Eye Cream*
(黑金煥顏御齡眼霜)



*Premium Nutritive Light
Moisturizing Cream*
(黑金煥顏輕潤面霜)



*Luxury Time-Inverse
Recovery Cream*
(奢華至臻面霜)

Customer Service

Consumer satisfaction remains our top priority. We have a dedicated customer service team that stays responsive to consumers' inquiries, feedback and complaint, committed to providing personalized customer services to build long-lasting consumer relationships and enhance consumer loyalty and satisfaction. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material customer complaints and litigations in connection with product safety and quality. As of June 30, 2024, our customer service team consisted of 17 personnel. Our customer service team closely monitors and keeps record of reviews, feedbacks or complaints received across various channels such as our counters, third-party e-commerce platforms and various social media and short video platforms such as Xiaohongshu and Douyin, and promptly contacts relevant consumers to address their concerns in a timely manner. In addressing consumers' complaints, we undertake to communicate and liaise with the consumers in a timely manner.

The complaint management process is overseen by our customer service team, and some incidents are escalated to our PR team, legal team and management from time to time. Our complaint management process is comprehensively designed to ensure efficient and effective handling of customer concerns.

- **Offline complaints.** For offline complaints, beauty advisors at the counter level are authorized to manage returns and exchanges for products with visible defects or quality issues, subject to conditions such as dermatologist-certified skin allergic reactions, resalable products within the specified return period, and previously identified defective products. Unresolved issues at the counter level are escalated to the regional customer service team, and more complex matters are further escalated to the customer service manager or marketing director. Returns must be accompanied by a standard complaint handling form and are consolidated monthly to ensure proper recording and handling.

BUSINESS

- **Online complaints.** Our online complaint management process begins at our online customer service center, where staff are authorized to handle complaints under conditions identical to the offline process. The consumer service team communicates with the consumer directly on the e-commerce platforms, which determines the nature and responsible party for the complaint, and follows our standardized workflow to resolve and follow up on each complaint. For instance, if it involves logistics issues such as damaged packaging, products with visible defects or incorrect delivery, we handle returns or resend the product accordingly, seeking compensation from the logistics providers for any losses incurred.
- **Customer service hotline.** We also operate a customer service hotline which allows our customers to express their views about our products and services. If the issue was not satisfactorily resolved via the offline or online channels, it would be regarded as a complex complaint and escalated as outlined below.
- **Complex complaints.** For complaints that are more complex which may be escalated to the relevant online platform, our customer service team works closely with the customer service teams from the relevant platform and steps in to communicate directly with the consumer(s) in relation to the issues. Based on the circumstances, our customer service team will involve the legal team or the management in relation to the requests. We endeavor to resolve the issue between one and 15 working days depending on the complexity.

This structured approach across both channels ensures that every incident is recorded and addressed, thereby mitigating potential dissatisfaction and strengthening consumer trust.

Supported by our customer service team, we have built a strong track record of customer satisfaction. During the Track Record Period, to our best knowledge, we maintained low overall consumer complaint rates of 0.18%, 0.20%, 0.27% and 0.22% in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, which were significantly lower than the industry average, according to Frost & Sullivan. The complaints on record primarily concern product quality and user experience, reported allergies, price discrepancies due to promotional events held during shopping festivals through different sales channels, product logistics, and damaged packages. During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaint from consumers that had a material and adverse effect on our operations and business reputation.

BUSINESS

We have established a comprehensive policy for product recalls, returns, and exchanges in compliance with relevant PRC laws and regulations and policies of relevant third-party platforms. Our return and recall procedures vary by sales channel:

Offline channels. For products sold at our counters within department stores, returns are generally permissible within the return period specified by the respective department store. Typically, returns are allowed for reasons such as product defects, adverse skin reactions, or dissatisfaction with service. However, returns are not generally accepted after three months from the purchase date; any such requests are evaluated on a case-by-case basis. In 2021, 2022, 2023 and the six months ended June 30, 2024, products returned from offline direct sales amounted to RMB0.3 million, RMB0.3 million, RMB0.5 million and RMB0.5 million, respectively, representing a product return rate of 0.03%, 0.03%, 0.04% and 0.06% in the respective periods.

Online channels. For products sold via our online stores on third-party e-commerce platforms, we allow consumers to return or exchange products suitable for a second sale within seven days from delivery, consistent with relevant laws and regulations and platform policies. Returns or exchanges beyond this seven-day period are generally disallowed, except in cases of product defects or adverse skin reactions. In 2021, 2022, 2023 and the six months ended June 30, 2024, products returned from online direct sales amounted to RMB1.6 million, RMB2.9 million, RMB10.3 million and RMB10.8 million, respectively, representing a product return rate of 0.42%, 0.56%, 1.10% and 1.48% in the respective periods.

Sales to distributors. For return policies of products sold to online and offline distributors, see “— Our Sales Network — Offline Channels — Sales to Offline Distributors” and “— Our Sales Network — Online Channels — Sales to Online Distributors.” In 2021, 2022, 2023 and the six months ended June 30, 2024, products returned by our online and offline distributors amounted to RMB2.4 million, RMB0.9 million, RMB14.1 million and RMB0.3 million, respectively, representing a product return rate of 1.07%, 0.37%, 4.42% and 0.13% in the respective periods. In 2023, the increase in the product return rate from distributors was largely due to a one-time authorized return process for an online distributor. This distributor organized a special promotional campaign on a particular online platform. Since it was a new initiative without a prior track record, the campaign’s sales were different from projections, resulting in a special return authorization afterward.

According to Frost & Sullivan, our calculation of the product return rates and product return and recall policies are in line with the industry practice in the PRC. During the Track Record Period, our product return rates were lower than the industry average, according to Frost & Sullivan. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product recalls, returns or defects.

PRODUCT DESIGN AND DEVELOPMENT

Our success is underpinned by our strong product design and development capabilities, which are driven by our product development team's comprehensive expertise and thorough approach to creating high-quality beauty products.

Our Product Development Team. Our product design and development efforts are led by Mr. Mao's deep understanding of light and shadow makeup artistry, oriental aesthetics and beauty product design and development. We have established a product development team consisting of an Art Committee comprising makeup artists of our makeup artistry training institutes to oversee the artisanship of our products, and a Core Product Design and Development Team responsible for the overall product design and development process. The two teams collaborate closely to guide the direction of product design and development, while engaging ODM providers to collectively transform our core aesthetic concepts and market insights into product solutions. As of June 30, 2024, our product development team was comprised of 58 experienced personnel, with 74.1% holding a bachelor's degree or above. These team members bring an average of over 12 years of working experience, with diverse backgrounds in areas such as molecular biology and chemical engineering, and rich experiences from leading positions in multinational pharmaceutical companies and biotechnology firms. In addition, our makeup artistry training programs provide a valuable source of new talents for our product development team, supporting the continuity and growth of our creative capabilities. By cultivating a pool of skilled professionals who understand our brand philosophy and aesthetic principles, we maintain a strong foundation for future product development.

Our Comprehensive Expertise. Our comprehensive expertise is the driving force behind our ability to create products of exceptional functionality and performance. In particular, our knowledge of product ingredients, formulas and design allows us to create products with good functionality and performance. We select quality raw materials and use advanced formulation techniques to develop products that cater to the specific needs and preferences of our target consumers, particularly those with Asian skin types and beauty standards. Our aesthetic philosophies, particularly in light and shadow makeup artistry and oriental aesthetics, differentiate us from other premium international cosmetics brands. By incorporating elements of light and shadow and traditional Chinese cultural elements into our product design, we create visually appealing and culturally relevant product collections that capture the essence of oriental beauty. In addition, our professional makeup application techniques, developed through years of experience, confer us valuable insights into makeup looks and product usage occasions. This understanding allows us to develop products that perform well and offer versatility and ease of use, enabling our consumers to achieve their desired looks.

Strategic Partnerships with ODM Providers. To enhance our product design and development capabilities, we have forged strategic partnerships with reliable ODM providers, leveraging their technical expertise, manufacturing facilities and quality control processes to support our product design and development initiatives. Our product development team identifies qualified ODM providers aligned with our product design and development

philosophy, communicates design and development requirements, and collectively develops product formulas with these suppliers. We also maintain oversight and involvement throughout the product development cycle, from initial concept to final production. Our product development team works closely with our ODM providers, providing specifications, conducting quality checks, testing product protocols and making necessary adjustments to ensure that the final products meet our standards and align with our brand vision. Our collaboration with ODM providers allows us to focus on our core competencies in product conceptualization, design and branding while ensuring that our products are manufactured to high standards of quality and consistency.

We generally enter into long-term agreements with our ODM providers for product design and development. Pursuant to the agreements, ODM providers are involved in the research and development and, where applicable, the production of cosmetics and cosmetic raw materials. For production by ODM providers, see “— Production and Supply Chain Management — Production.”

Current R&D Approach and Future Strategy. Our current product design and development approach primarily involves guiding the overall direction while engaging ODM providers to conduct detailed R&D and product design work. Under the strategic guidance of our product development team, we leverage the resources of ODMs. According to Frost & Sullivan, engaging ODMs for product design, development, and production is an established practice within the cosmetics industry. This approach allows companies to focus on core competencies such as branding, marketing, and overall product strategy while benefiting from the specialized capabilities of ODM partners.

To enhance our in-house R&D capabilities, we have developed a comprehensive strategy aimed at strengthening our product innovation capabilities, competitive position, and long-term growth. This strategy includes increasing our involvement in key R&D steps, prioritizing high-potential product lines, expanding our research facilities both domestically and internationally, and integrating R&D with our developing in-house manufacturing capabilities. For further details on our R&D enhancement strategy, see “— Our Strategies — Upholding Brand Positioning Founded on Makeup Artisanhip, Advancing Product Development and Makeup Artistry Training.”

Product Development Process. Our product design and development process is thorough and time-intensive, typically spanning six to eight months, with some limited edition products requiring 10 to 12 months. This approach ensures that every product undergoes testing and refinement before reaching our consumers, ensuring good quality, performance, and aesthetics.

Our product design and development process typically encompasses the following steps:

- ***New Product Project Initiation:*** Our product development team collaborates in-depth with our ODM providers to establish the product development standards. Our marketing team and Art Committee determine the product design and development initiatives.

BUSINESS

- **Comparable Product Analysis:** We collect and analyze data on comparable leading market products, evaluating aesthetics, functionality and formulas to gain industry insights.
- **Product Design and Development:** We set the specifics of our product standards based on our aesthetic philosophy. We select raw materials appropriate for the skin conditions and facial features of target consumers, adjusting color temperature and brightness to create visual depth. We also select packaging materials, design product packaging, and engage qualified ODM providers for prototype development.
- **Product Testing:** We engage in iterative protocol testing to ensure the high quality of our products. Our Quality Control Center sets product quality standards, implementing compatibility and functionality tests for new products, as well as quality inspections for initial product and packaging batches.
- **Sample Testing:** Our makeup artists from makeup artistry training institutes and frontline marketing employees participate in product trials, providing assessments of the samples based on their professional experience.
- **Mass Production:** Following satisfactory sample testing results, we proceed to mass production and sales of products.

Aesthetics- and Functionality-Driven Product Design. Recognizing the dual function of aesthetics and utility in product appearance design, we emphasize the importance of both visual appeal and practicality in our product presentations. Our commitment to creating a unique brand identity is reflected in our product aesthetics and packaging designs. These designs have developed through generations of proprietary molds, incorporating elements of Chinese architecture to deepen cultural resonance. This approach to packaging has earned us 43 design patents and a Muse Design Award as of the Latest Practicable Date, evidencing our brand's distinctiveness and sophistication.

Our Product Design and Development Achievements. Our commitment to product design and development has yielded positive results. For example, based on our light and shadow makeup artistry, we pioneered the development of the highlighting and contouring products in China, notably with the Light and Shadow Collection that was specifically designed to suit Chinese skin tones among all domestic beauty brands, according to Frost & Sullivan. During the Track Record Period, we developed and upgraded a total of 262 new SKUs for MAOGEPING and Love Keeps, with an average of approximately 75 SKUs upgraded each year.

BUSINESS

OUR SALES NETWORK

We sell our products through an extensive sales network integrating offline and online channels. Our offline channels comprise (i) direct sales primarily via our self-operated counters, (ii) sales to a premium multinational beauty retailer, and (iii) sales to offline distributors. Our online channels cover e-commerce platforms such as Tmall, Xiaohongshu, Douyin, JD.com and Taobao through (i) direct sales via online stores, and (ii) sales to online distributors. Both of our offline and online channels expanded rapidly during the Track Record Period.

The following table sets forth the breakdown of our revenue from product sales by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Offline channels										
Offline direct sales ⁽¹⁾	859,299	57.5	978,769	55.1	1,438,182	51.7	707,001	52.0	875,282	46.1
Sales to offline distributors	76,001	5.1	57,136	3.2	69,804	2.5	32,090	2.4	40,440	2.1
Distributor-operated counters										
for MAOGEPING	26,821	1.8	29,464	1.7	43,107	1.5	19,248	1.4	26,813	1.4
Others ⁽²⁾	49,180	3.3	27,672	1.5	26,697	1.0	12,842	1.0	13,627	0.7
Sales to a premium multinational beauty retailer	30,656	2.0	44,574	2.5	94,080	3.4	49,216	3.6	51,093	2.7
Subtotal	965,956	64.6	1,080,479	60.8	1,602,066	57.6	788,307	58.0	966,815	50.9
Online channels										
Online direct sales	379,667	25.4	515,870	29.1	931,164	33.5	452,125	33.3	736,567	38.8
Sales to online distributors	149,444	10.0	178,392	10.1	248,662	8.9	118,841	8.7	196,640	10.3
Subtotal	529,111	35.4	694,262	39.2	1,179,826	42.4	570,966	42.0	933,207	49.1
Total	1,495,067	100.0	1,774,741	100.0	2,781,892	100.0	1,359,273	100.0	1,900,022	100.0

Notes:

- (1) Offline direct sales primarily relate to self-operated counters in department stores.
- (2) Others under sales to offline distributors primarily relate to sales to offline distributors for Love Keeps.

BUSINESS

The following table sets forth our gross profit and gross profit margin of product sales by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>	<i>Gross Profit</i>	<i>Margin (%)</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Offline channels										
Offline direct sales ⁽¹⁾	756,646	88.1	857,501	87.6	1,268,840	88.2	622,568	88.1	769,786	87.9
Sales to offline distributors	55,269	72.7	42,677	74.7	52,453	75.1	24,013	74.8	30,296	74.9
Distributor-operated counters	22,176	82.7	24,138	81.9	35,472	82.3	15,807	82.1	21,926	81.8
Others ⁽²⁾	33,093	67.3	18,539	67.0	16,981	63.6	8,206	63.9	8,370	61.4
Sales to a premium multinational beauty retailer	20,199	65.9	29,548	66.3	65,726	69.9	33,222	67.5	34,266	67.1
Subtotal	832,114	86.1	929,726	86.0	1,387,019	86.6	679,803	86.2	834,348	86.3
Online channels										
Online direct sales	321,043	84.6	436,385	84.6	787,275	84.5	380,716	84.2	622,406	84.5
Sales to online distributors	124,780	83.5	148,101	83.0	207,312	83.4	98,826	83.2	165,042	83.9
Subtotal	445,823	84.3	584,486	84.2	994,587	84.3	479,542	84.0	787,448	84.4
Total	1,277,937	85.5	1,514,212	85.3	2,381,606	85.6	1,159,345	85.3	1,621,796	85.4

Notes:

- (1) Offline direct sales primarily relate to self-operated counters in department stores.
- (2) Others under sales to offline distributors primarily relate to sales to offline distributors for Love Keeps.

Offline Channels

We primarily focus on the expansion and enhancement of our counter network in offline channels to reinforce our brand image and positioning. We also collaborate with reputable premium multinational beauty retailer and reliable offline distributors to expand our offline sales coverage. According to Frost & Sullivan, we ranked first among domestic color cosmetics brands by retail sales generated from offline channels in 2023. With a particular focus on the department store channel that represents the largest and most prestigious sales channel in China's beauty industry, we became the first premium domestic beauty group to establish counters in high-end department stores, and ranked first among domestic color cosmetics brands in the department store segment in China by retail sales in 2023, according to Frost & Sullivan. The department store channel holds the largest market share in the color cosmetics market and ranks as the second-largest offline channel within the broader beauty industry, according to the same source. The primary advantages of department stores lie in their prime

locations and fashion-forward, luxurious spatial presentations. These attributes provide consumers with a holistic, premium shopping experience that engages multiple senses, including visual and tactile elements. This immersive environment enhances brand-consumer interactions and elevates the prestige of the department store channel above other offline channels. Strategically, we have established counters in high-end department stores nationwide, such as Grand Gateway Plaza, Yintai, Parkson, Golden Eagle, Wangfujing, and Ito Yokado. We believe our presence in these prestigious locations reinforces our brand's image and value proposition, further solidifying our position in the market.

Our Counter Network

We launched our first counter in Shanghai's Grand Gateway Plaza in 2003 and have since continued to expand our counter network across China. As of June 30, 2024, we operated a total of 372 self-operated counters covering over 120 cities nationwide.

Our counters are strategically located in department stores which we select specifically to reinforce the image and value of our brand. We consider a number of factors in selecting locations for our counters, including the demographic and economic condition of the city, the quantity of in-city department stores, and the geographic position of the target location. We also assess the availability of ancillary facilities within and around the target department store, the convenience of nearby transport and parking, the range and tier of brands and product categories within the department store, the footfall and customer flow across different floors, as well as the operational performance of the department store.

We manage and operate all counters in a unified manner, ensuring consistent service and operational standards across our counter network. The interior design and settings, such as furnishing and fitting of the counters, are carefully designed by our branding and counter design center, ensuring consistency of brand identity, product presentation, collection style and the corresponding advertising campaign. Adhering to an experiential marketing strategy, our counters are designed to feature a designated makeup station, supported by well-trained beauty advisors skilled in makeup knowledge and techniques to offer consumers professional makeup trials that augment the effects of our products. With over 2,700 beauty advisors staffed at our counters across China as of the Latest Practicable Date, we have established one of the largest counter-based service teams among all domestic and international beauty brands in China, according to Frost & Sullivan.

BUSINESS

The following pictures showcase our counter designs in department stores:



Our counter network consists of self-operated counters and distributor-operated counters, which collectively form a comprehensive retail ecosystem operated under a consistent set of standards. Such a counter network enables us to expand our product coverage, foster direct consumer relationships and enhance brand visibility.

Our Self-Operated Counters

We directly operate the vast majority of our counters. As of June 30, 2024, we operated a total of 372 self-operated counters covering over 120 cities nationwide. According to Frost & Sullivan, we had the second-largest self-operated counter network among all beauty brands in China, which consisted of 372 self-operated counters nationwide as of June 30, 2024. Substantially all of our offline direct sales were contributed by direct sales via self-operated counters. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from offline direct sales amounted to RMB859.3 million, RMB978.8 million, RMB1,438.2 million, RMB707.0 million and RMB875.3 million, respectively, accounting for 57.5%, 55.1%, 51.7%, 52.0% and 46.1% of our revenue generated from the product sales of the same periods. In addition, our revenue generated from our top five counters in each year/period during the Track Record Period, amounted to RMB48.6 million, RMB59.0 million, RMB87.0 million and RMB51.0 million, respectively, accounting for 3.2%, 3.3%, 3.1% and 2.7% of our revenue generated from the sales of products for the same periods.

BUSINESS

We primarily operate our self-operated counters under the lease and concession models in cooperation with department stores. As of June 30, 2024, we operated 59 counters under the lease model and 313 counters under the concession model. We believe we have developed good relationships with these department stores through years of cooperation and our outstanding sales performance, which benefits us in lease or concession renewals.

- Under the lease model, we lease properties from department stores for operation of our counters, pay rent and operate independently within the leased space. We are responsible for all aspects of our business, including staffing, inventory management, sales and cashier function. Our lessors receive rent pursuant to our lease terms.
- Under the concession model, we collaborate with department stores to establish and operate counters. We typically handle staffing, inventory management, sales and bear the costs of counter decoration and maintenance, while complying with the department store's general specifications on counter design. Consumers usually make payments directly to the department store and receive receipts from them. The department store then periodically reconciles accounts with us based on settlement statements. Upon verification of these statements and issuance of invoices to the department store, they settle the payment with us based on the settlement amount. We generally recognize revenue based on the payments received from the consumers.

The following table sets forth a summary of the salient terms of our typical lease and concession agreements with department stores:

	<u>Lease</u>	<u>Concession</u>
Duration	The term of our agreements with department stores is generally two years.	The term of our agreements with department stores is generally one year.
Rental/Concession Fees	Rental fee is generally the higher of (a) a minimum monthly rental fee and (b) a fixed percentage of the monthly sales of the relevant counter.	Concession fee is generally the higher of (a) a fixed contractual amount and (b) a fixed percentage of the monthly sales of the relevant counter.
Other Fees and Charges	We generally pay a fixed amount of property management fee, promotion fee and deposit to department stores on a monthly basis.	We generally pay promotion fee and property management fee to department stores on a monthly basis.
Collection of Sales Proceeds.	Sales proceeds are typically collected by us.	Sales proceeds are typically collected by department stores.

BUSINESS

	Lease	Concession
Payment and Settlement . . .	Customers remit payment for their purchases directly to our Company. We generally pay rent and other fees and charges, where applicable, to the department stores or shopping center on a monthly basis.	Customers remit payment for their purchases directly to the department stores, which subsequently pay the sales proceeds to us, net of concession fees and any applicable fees and charges in accordance with our contractual arrangements on a monthly basis.
Termination	Rent/concession arrangements can be terminated upon written notice upon contract expiration, by mutual agreement, or due to significant breach by counterparties	

The following table sets forth the movement in the number of our self-operated counters under each of the lease and concession models during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Lease model				
Number of counters at the beginning of the period	14	18	28	45
Number of counters newly launched	5	12	18	15
Number of counters under lease model converted from concession model	0	0	1	0
Number of counters closed	(1)	(2)	(2)	(1)
Sub-total	18	28	45	59
Concession model				
Number of counters at the beginning of the period	239	290	312	312
Number of counters newly launched	61	34	18	9
Number of counters under concession model converted from distributor-operated counters ⁽¹⁾	3	0	0	0

BUSINESS

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Number of counters under concession model converted to lease model	(0)	(0)	(1)	(0)
Number of counters closed	(13)	(12)	(17)	(8)
Sub-total	290	312	312	313
Total	308	340	357	372

Note:

(1) For details of our distributor-operated counters, see “— Our Distributor-operated Counters.”

We regularly assess and evaluate the performance of our self-operated counters and optimize our self-operated counter network to enhance sales performance and profitability. In line with our business scale and sales coverage expansion, the number of our self-operated counters increased from 308 as of December 31, 2021 to 340 as of December 31, 2022, which then increased to 357 as of December 31, 2023 and further increased to 372 as of June 30, 2024, solidifying our market presence in the premium beauty industry. In particular, we opened 66, 46, 36 and 24 new self-operated counters in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. We typically consider a number of factors in selecting locations for our counters, including the demographic and economic condition of the city, the quantity of in-city department stores, and the geographic position of the target location. We also assess the availability of ancillary facilities within and around the target department store, the convenience of nearby transport and parking, the range and tier of brands and product categories within the department store, the footfall and customer flow across different floors, as well as the operational performance of the department store. As such, there are generally limited available locations that meet our criteria. In 2021 and 2022, there were a number of premium counter locations that became available when other brands closed their counters during the COVID-19 pandemic. We captured such opportunities and opened 66 and 46 new self-operated counters during these periods, respectively, which subsequently normalized to 36 new self-operated counters in 2023. We expect to open approximately 30 to 40 new self-operated counters in 2024.

In 2021, 2022, 2023 and the six months ended June 30, 2024, we closed 14, 14, 19 and nine self-operated counters, respectively. The closures were primarily due to: (i) underperforming counter sales; (ii) strategic relocation of counters to areas with higher consumer traffic and visibility; and (iii) changes in the operational direction or business model of relevant department stores, or temporary closures of relevant department stores for refurbishment.

BUSINESS

The following table sets forth the details of our same counter revenue for the periods indicated:

	Year ended December 31,				Six months ended June 30,	
	2021	2022	2022	2023	2023	2024
Number of same counters ⁽¹⁾	230		277		312	
Aggregate same counter revenue (RMB in millions) . . .	731.5	783.0	878.7	1,193.8	655.3	773.9
Average same counter revenue (RMB in millions) . . .	3.2	3.4	3.2	4.3	2.1	2.5
Average same counter period-to-period revenue growth	7.0%		35.9%		18.1%	

Note:

- (1) Refers to the number of counters that were in continuous operation throughout the entire current year/period and the entire preceding year/period.

We had 230 counters that operated for the full year in both 2021 and 2022, with their average same counter revenue increasing by 7.0% from RMB3.2 million in 2021 to RMB3.4 million in 2022, primarily attributable to the increase in the average sales per counter as driven by our enhanced sales and marketing efforts. We had 277 counters that operated for the full year in both 2022 and 2023, with their average same counter revenue increasing by 35.9% from RMB3.2 million in 2022 to RMB4.3 million in 2023. In addition, we had 312 counters that operated for the entire six months ended June 30, 2023 and 2024, with their average same counter revenue increasing by 18.1% from RMB2.1 million in the six months ended June 30, 2023 to RMB2.5 million in the same period in 2024. Both such increases were primarily attributable to the increase in the average sales per counter as driven by (i) our enhanced sales and marketing efforts, and (ii) the lifting of restrictive measures which promoted consumer traffic in department stores where such counters are located.

BUSINESS

The following table sets forth the average daily revenue per counter by year of opening for the periods indicated:

Year of opening	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB in thousands</i>				
Newly opened within the same year	4.9	5.2	8.2	8.2	9.2
Opened in the previous year	5.8	5.5	8.7	7.7	9.0
Opened for two years or more	9.2	9.3	11.8	11.8	13.6
Overall	8.0	8.1	11.0	11.1	12.9

We had entered into a total of 65 lease agreements for use as our counters under the lease model as of the Latest Practicable Date. The following table sets forth the maturity profile of the lease agreements that we had entered into for use as counters as of the Latest Practicable Date:

	2024	2025	2026	2027
Number of leases expiring . . .	8	38	18	1

Considering our historical sales performance and our longstanding relationships with the department stores, we are of the view that there are no major obstacles for us to renew such lease agreements with the relevant department stores.

During the Track Record Period, we had 17, 18, six and five counters that incurred losses in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. We have evaluated the performance of each counter, including those incurring losses, and conducted impairment tests at the end of each year/period during the Track Record Period in accordance with IAS 36 and no material impairment losses were identified.

Our Distributor-Operated Counters

During the Track Record Period, we also engaged certain offline distributors who operated counters of MAOGEPING to facilitate sales of our products in line with market practice, according to Frost & Sullivan. This approach is effective in extending our reach into remote areas where coverage is challenging and management costs are relatively high. By leveraging the qualifications and regional knowledge of our distributors, we are able to expand our coverage and deepen market penetration efficiently. As of December 31, 2021, 2022, 2023 and June 30, 2024, we engaged 13, 15, 17 and 19 distributors to operate counters of

BUSINESS

MAOGEPING, respectively. As of June 30, 2024, we had a total of 30 counters operated by distributors. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, revenue generated through distributor-operated counters amounted to RMB26.8 million, RMB29.5 million, RMB43.1 million, RMB19.2 million and RMB26.8 million, respectively, accounting for 1.8%, 1.7%, 1.5%, 1.4% and 1.4% of our revenue generated from the product sales of the same period. For other offline distributors, see “— Sales to Offline Distributors.”

We select distributors to operate our brands based on a rigorous set of criteria, including their reputation, regional resources, management experience and financial stability, ensuring that only those with the requisite capabilities and market understanding were chosen to operate the counters of our brand. We generally enter into sales and purchase agreements with these distributors, who then contract with department stores to establish counters of our brand and sell our products. For salient terms of our standard agreements with offline distributors, see “— Sales to Offline Distributors.” While we do not directly contract with department stores for the establishment of such counters, our distributors assume the responsibility and costs of counter operations. To maintain a uniform standard of service and brand presentation, we provide dedicated teams and beauty advisors to support the operation of these counters. All distributor-operated counters are managed under the same set of standards as our self-operated counters in terms of staff training, merchandising standards, customer service protocols, and sales performance monitoring by our Company, maintaining a uniform of standard of customer services across our counter network.

The following table sets forth the movement in the number of our distributor-operated counters during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Number of counters at the beginning of the period	21	23	27	27
Number of counters newly launched	5	4	3	4
Number of counters converted to self-operated counters	(3)	(0)	(0)	(0)
Number of counters closed	(0)	(0)	(3)	(1)
Number of counters at the end of the period	<u>23</u>	<u>27</u>	<u>27</u>	<u>30</u>

Three of our distributor-operated counters were closed in 2023, primarily due to underperforming counter sales and strategic relocation of the counter space within the same department store.

Sales to a Premium Multinational Beauty Retailer

Since 2020, we have established strategic collaboration with a premium multinational beauty retailer, providing it with an exclusive line of products to strengthen our brand positioning and expand sales coverage. The product line mainly includes a wide range of (i) makeup products such as foundation, highlighting and contouring products, and (ii) skincare products, such as facial masks. The product line also has distinct product packaging that is exclusive for this retailer. By accessing their extensive international sales network and sophisticated customer base, we have gained valuable insights into consumer needs that inform our future product design and development. We typically enter into sales and purchase agreements with such retailer, pursuant to which we sell our products directly to them and recognize revenue when they confirm receipt of our products upon delivery. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales to the premium multinational beauty retailer amounted to RMB30.7 million, RMB44.6 million, RMB94.1 million, RMB49.2 million and RMB51.1 million, respectively, accounting for 2.0%, 2.5%, 3.4%, 3.6% and 2.7% of our revenue generated from the product sales of the same periods.

Sales to Offline Distributors

In line with market practice, during the Track Record Period, we cooperated with offline distributors, who resold our products to other offline channels or end-customers through their own storefronts, or operated counters of MAOGEPING to expand our offline sales network and improve brand awareness. For details of distributor-operated counters, see “— Our Counter Network — Our Distributor-operated Counters.” Our offline distributors are typically regional distributors primarily engaged in the sales and distribution of cosmetics products with local distribution network and resources. We believe that offline distributors with strong sale channel management capabilities as well as sales and distribution experience of cosmetics products can help us penetrate a broader user base, increase our market share and enhance our brand awareness efficiently. As of December 31, 2021, 2022, 2023 and June 30, 2024, we engaged 30, 17, 19 and 21 offline distributors, respectively. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales to offline distributors amounted to RMB76.0 million, RMB57.1 million, RMB69.8 million, RMB32.1 million and RMB40.4 million, respectively, representing 5.1%, 3.2%, 2.5%, 2.4% and 2.1% of our revenue generated from the product sales of the same period.

BUSINESS

The following table sets out the number of our offline distributors and their movements for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Number at the beginning of the period	31	30	17	19
Number of distributors newly engaged	9	10	2	2
Number of distributors terminated	(10)	(23)	(0)	(0)
Number at the end of the period	30	17	19	21

We have worked to optimize our offline distributor network and enhance operational efficiency. In 2021, we terminated cooperation with 10 offline distributors, primarily due to the expiration of distribution agreements or the transition of distributor-operated counters to our self-operated counters. In 2022, we terminated cooperation with 23 offline distributors as part of our strategic move to consolidate and optimize the offline distribution network for Love Keeps. After consolidation, we retained only one offline distributor to distribute products for Love Keeps. This decision was driven by the need to refine Love Keeps’ market position and to align its distribution strategy with evolving consumer preferences and market dynamics. The consolidation enables us to better focus on product development, branding and marketing by improving distribution efficiency, strengthening brand control, and better managing resources. For future strategies for Love Keeps, see “— Our Strategies — Strategically Upgrading and Expanding Brand Portfolio with MAOGEPING as the Anchor.”

In line with market practice, we primarily enter into standard distribution agreements with our offline distributors, which are sales and purchase agreements in nature. We also entered into consignment agreements with one offline distributor during the Track Record Period, who resold our products to end-customers through their storefronts. Under sales and purchase agreements, we have a buyer-seller relationship with offline distributors and recognize revenue when they accept our products upon delivery. Under consignment agreements, we recognize revenue when products are sold to end-customers.

BUSINESS

The following table sets forth a summary of the salient terms of our standard distribution agreements (including consignment agreements) with offline distributors:

<i>Duration</i>	The term of our agreements with offline distributors typically ranges from one to three years.
<i>Designated distribution area</i>	The offline distributors are generally not allowed to sell our products outside of their designated distribution area.
<i>Pricing policy</i>	We generally sell products to offline distributors at a discount from the retail prices of our products, and provide them with pricing guidelines that set a recommended retail price for each product. We are entitled to adjust the pricing guidelines.
<i>Payment and credit terms</i>	For sales and purchase agreements, we generally require full payment from distributors before product delivery. For consignment agreements, our offline distributors would submit the bill upon completion of sales, and upon our confirmation and issuance of invoices, remit payment to us.
<i>Minimum purchase requirements</i>	We generally do not set minimum purchase requirements for our offline distributors.
<i>Sub-distributorship arrangement</i>	We generally do not allow offline distributors for MAOGEPING to engage sub-distributors. Our offline distributor for Love Keeps may engage sub-distributors. See “—Distributor Selection and Management — Management of Sub-distributors.”
<i>Transfer of risk</i>	For sales and purchase agreements, the distributor generally bears the risk of loss or destruction of the product after acceptance. For consignment agreements, we generally retain ownership of the products and bear the risks until products are sold to end-customers.

BUSINESS

Product return and exchange Offline distributors are generally granted a return and exchange allowance of a small percentage of their purchase amount, which are reconciled with us on a quarterly basis. Any unused allowance from the current quarter is not permitted to be carried over to the next quarter. It is also required that the returned or exchanged products must be in their original packaging, undamaged, and have at least 24 months remaining on their effective use date to ensure they are resalable. Product returns and exchanges are only permitted upon our written approval. In 2021, 2022, 2023 and the six months ended June 30, 2024, products returned by our offline distributors amounted to RMB1.4 million, RMB0.4 million, RMB0.6 million and RMB0.3 million, respectively, representing a product return rate of 1.80%, 0.78%, 0.92% and 0.68% in the respective periods.

Termination Offline distribution agreements can be terminated upon contract expiration, by mutual agreement, or due to significant breach by counterparties.

Online Channels

We conduct our product sales via online channels in two manners, namely (i) direct sales via our online stores and (ii) sales to online distributors. Building on the solid brand image, product strengths and consumer trust established in our offline channels, our online channels experienced a steady expansion during the Track Record Period.

Online Direct Sales

To accommodate consumers' evolving shopping habits and provide a convenient multi-channel shopping experience, we directly sell our products through our self-operated online stores on major domestic third-party e-commerce platforms. These stores provide a holistic view of, and facilitate easy access to our products, enabling consumers to make purchases directly through the platforms at their convenience. As of the Latest Practicable Date, we had established online stores on Tmall, Xiaohongshu and Douyin.

BUSINESS

We have entered into agreements with the e-commerce platforms to operate and manage our online store. The following table sets forth a summary of the salient terms of our standard agreements with e-commerce platforms:

<i>Duration</i>	The terms of our agreements with e-commerce platforms are typically one year, with automatic renewal contingent upon fulfilling the agreement terms.
<i>Service scope</i>	The e-commerce platforms shall provide software services in relation to online information services, software technology services, marketing and promotion resources, transaction management, transaction completions and other services.
<i>Service fees</i>	The e-commerce platforms generally charge us with a service fee both in fixed amount and as a percentage of sales amount.
<i>Code of conduct</i>	We are subject to the code of conduct of the e-commerce platforms. We shall follow the standard code of conduct regarding the scope of business, anti-bribery and anti-competition, confidentiality, customer protection and data protection requirements.
<i>Termination</i>	The service agreements can generally be terminated upon prior written notice or in the event of a material breach.

To support the operations of our online stores, we engaged third-party operators who possess extensive experience in platform operations and e-commerce marketing strategies to enhance the operational efficiency and performance of our online stores. To our best knowledge, during the Track Record Period and up to the Latest Practicable Date, all of third-party operators engaged were Independent Third Parties.

BUSINESS

The following table sets forth a summary of the salient terms of our standard agreements with third-party operators:

<i>Duration</i>	The term of our agreements with third-party operators typically ranges from two months to three years, depending on our specific operational requirements and demand.
<i>Service scope</i>	The third-party operators shall provide operational supports, including providing technical support, updating products and managing product displays, jointly developing and refining operational strategies, creating and designing shop and promotional pages, producing and managing graphics, text, and short video content and organizing and executing promotional campaigns, among others.
<i>Service fee</i>	We generally provide third-party operators with fixed service fee plus a variable commission based on the sales revenue of the online stores on a monthly basis.
<i>Intellectual Property</i> . . .	All intellectual properties created by third-party operators for the online stores belong to us and the third-party operators are not allowed to utilize or license to others without our written consent.
<i>Termination</i>	Agreements can be terminated upon contract expiration, by mutual agreement, or due to significant breach by counterparties.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from online direct sales amounted to RMB379.7 million, RMB515.9 million, RMB931.2 million, RMB452.1 million and RMB736.6 million, respectively, accounting for 25.4%, 29.1%, 33.5%, 33.3% and 38.8% of our revenue generated from the product sales of the same periods.

BUSINESS

Sales to Online Distributors

In line with market practice, during the Track Record Period, we also engaged online distributors. Some of our online distributors operate their own stores on the e-commerce platforms and sell our products to end consumers, whilst some sell our products to other merchants which in turn operate their own stores on the e-commerce platforms and sell our products to end consumers. Our collaboration with such online retailers enables us to establish broad presence across various online platforms in addition to our self-operated online stores. As of December 31, 2021, 2022, 2023 and June 30, 2024, we engaged five, 12, 10 and 10 online distributors, respectively. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from sales to online distributors amounted to RMB149.4 million, RMB178.4 million, RMB248.7 million, RMB118.8 million and RMB196.6 million, respectively, accounting for 10.0%, 10.1%, 8.9%, 8.7% and 10.3% of our revenue generated from the product sales of the same periods.

The following table sets out the number of our online distributors and their movements for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Number at the beginning of the period	6	5	12	10
Number of distributors newly engaged	4	11	5	0
Number of distributors terminated	(5)	(4)	(7)	(0)
Number at the end of the period	<u>5</u>	<u>12</u>	<u>10</u>	<u>10</u>

We continuously work to optimize our online distribution network during the Track Record Period. In 2021, 2022 and 2023, we terminated cooperation with five, four and seven online distributors, respectively, primarily for underperforming sales performance and expiration of distribution agreements.

In line with market practice, we primarily enter into standard distribution agreements with our online distributors, which are sales and purchase agreements in nature. We also entered into consignment agreements with certain online distributors during the Track Record Period, who resold our products to end-customers through their online platforms. Under sales and purchase agreements, we have a buyer-seller relationship with online distributors and recognize revenue when they accept our products upon delivery. Under consignment agreements, we recognize revenue when end-consumers confirm acceptance of our products on the relevant online platform.

BUSINESS

The following table sets forth a summary of the salient terms of our standard distribution agreements (including consignment agreements) with online distributors:

<i>Duration</i>	The term of our agreements with online distributors typically ranges from one to three years.
<i>Designated distribution channel</i> . .	The online distributors are generally not allowed to sell our products outside of their designated distribution channel without our written consent.
<i>Pricing policy</i>	We generally sell products to online distributors at a discount from the retail prices of our products, and provide online distributors with pricing guidelines that set a recommended retail price for each product. We are entitled to adjust the pricing guidelines.
<i>Payment and credit terms</i>	For sales and purchase agreements, we generally require full payment from online distributors before product delivery. For consignment agreements, online distributors generally submit to us a statement for products sold on a monthly basis, and, upon our confirmation of the statement and issuance of invoices, remit payment to us.
<i>Minimum purchase requirements</i> .	For sales and purchase agreements, we generally set quarterly minimum purchase requirements for our online distributors. For consignment agreements, we generally do not set minimum purchase requirements for online distributors.
<i>Sub-distributorship arrangement</i> .	For sales and purchase agreements, we generally do not prohibit online distributors to engage sub-distributors. See “— Distributor Selection and Management — Management of Sub-distributors.” For consignment agreements, we generally do not allow sub-distributorship arrangements.
<i>Transfer of risk</i>	For sales and purchase agreements, the online distributor generally bears the risk of loss or destruction of the product after acceptance. For consignment agreements, we generally retain ownership of the products and bear the risk of loss until products are sold to end-customers.
<i>Product return</i>	Under sales and purchase agreements, product returns are only allowed for defective products. Under consignment agreements, online distributors are permitted to return, provided that when the end consumers returned the products or the products are defective.
<i>Termination</i>	Online distribution agreements can be terminated upon contract expiration, by mutual agreement, or due to significant breach by counterparties.

Distributor Selection and Management

We have adopted a set of distributor selection criteria and management policies to ensure our distributors are capable, efficient and well-resourced. Factors considered in distributor selection include their geographic coverage, scale of operations, qualifications, existing customer base and market reputation. We regularly review the performance of distributors through a selection process and annual assessment. We consider various factors in renewing agreements with distributors, including their qualifications, sales and marketing capabilities, sales network, financial resources, customer resources and synergies with our brands.

We proactively manage our distributors to comply with the requirements of relevant laws and regulations. We require our distributors to have adequate storage conditions and facilities, a sufficient number of quality management personnel, and adequate sales channels resources. We adopt and implement a suite of distributor management policies to ensure distributors are in compliance with the legal requirements. Our distributor management policies typically set out a variety of operational guidelines, including promotion activities, inventory management and payment requirements. In particular, we organize trainings for our distributors in marketing and promotion activities, and provide a list of contents that they should avoid using in promotion activities to ensure compliance with relevant legal requirements.

Management of Sub-Distributors

We generally do not allow offline distributors for MAOGEPING to engage sub-distributors. To our best knowledge, during the Track Record Period, two distributors for Love Keeps and six online distributors for MAOGEPING engaged sub-distributors within its designated distribution areas in offline channels or platforms in online channels for marketing and sales of our products. The revenue generated from the distributors who engaged sub-distributors amounted to approximately RMB112.9 million, RMB125.7 million, RMB160.6 million and RMB115.6 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, representing approximately 7.2%, 6.9%, 5.6% and 5.9% of our total revenue in each respective period. We do not have any direct contractual relationships with these sub-distributors and have no direct control over sales activities of such sub-distributors. In general, our distributors are responsible for managing their sub-distributors, including ensuring that the sub-distributors' operations are in line with our overall sales and distribution strategy. Our distributors may report to us about the operational status of these sub-distributors from time to time. To the best of our knowledge, in the event of any violation or misconduct of sub-distributors identified by our distributors, our distributors would notify the relevant sub-distributors and request them to take rectification measures. In case of failure to promptly correct or rectify the relevant violation or misconduct, our distributors may terminate the business relationship with relevant sub-distributors.

Channel Stuffing Risk Management

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, revenue generated from online and offline distributorship accounted for 15.1%, 13.3%, 11.4%, 11.1% and 12.5% of our revenue from product sales, respectively. With distributorship accounting for a relatively small portion of our revenue stream, we believe that such a sales network effectively reduces our channel stuffing risks. Meanwhile, we also strive to minimize the channel stuffing risks with our distributors through the following measures:

- (i) *Payment terms.* We generally require a full payment before delivering products to distributors or grant a short credit period to selected distributors. By insisting on this approach, we aim to reduce the risk of distributors over-ordering stock that they may not be able to sell, ensuring that distributors are more cautious in their ordering, aligning their purchases with actual sales patterns and market demand.
- (ii) *Return policies.* We maintain a relatively stringent return policy for our distributors. Offline distributors are generally granted a return and exchange allowance of a small percentage of their purchase amount, which are reconciled with us on a quarterly basis. Any unused allowance from the current quarter is not permitted to be carried over to the next quarter. It is also required that the returned or exchanged products must be in their original packaging, undamaged, and have at least 24 months remaining on their effective use date to ensure they are resalable. Product returns and exchanges are only permitted upon our written approval. In addition, product returns by online distributors are only allowed for defective products. We believe such a stringent return policy discourages distributors from over-purchasing. During the Track Record Period, we maintained a relatively low return rate from our distributors of 1.07%, 0.37%, 4.42% and 0.13% in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. For reason of change in return rate, see “— Our Business — Customer Service.”
- (iii) *Minimum purchase requirement.* We generally do not set minimum purchase requirements for offline distributors. By not imposing minimum purchase requirements on offline distributors, we allow them to order stock based on realistic sales expectations. This approach reduces the pressure on distributors to buy more products than they can sell, thereby mitigating the risk of channel stuffing.
- (iv) *Inventory control and management.* Our inventory control and management policy for distributors is designed to ensure efficient and timely replenishment of stock. We require our distributors to maintain sufficient stock levels to meet market demand, generally not falling below a three-month turnover. Distributors must follow a first-in, first-out method to avoid obsolescence. We also require our distributors to report their inventory balance of the previous month on a monthly basis. We believe such an inventory control and management policy over distributors incentivizes them to maintain an optimal level of inventory for sales and reduce the risks of channel stuffing. To our best knowledge, as of December 31, 2021, 2022 and

BUSINESS

2023 and June 30, 2024, the unsold inventory held by our distributors was approximately RMB8.6 million, RMB47.8 million, RMB25.1 million and RMB60.1 million, respectively. To our best knowledge, most of the unsold inventory held by our distributors as of June 30, 2024 was subsequently sold as of the Latest Practicable Date.

Based on the above, our Directors are of the view that the Group's sales had corresponded to actual end-customer demand during the Track Record Period in all material respects. Based on the due diligence performed by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would reasonably cause it to cast doubt on the foregoing Directors' view in any material respect.

Anti-Cannibalization Risk Management

We have also adopted a set of measures to avoid cannibalization among our distributors, including (i) implementing a consistent pricing policy for all our products, and providing our distributors with recommended retail prices for our products as their guidance. We also closely track the prices of our products sold via different channels to ensure our distributors comply with our pricing policy; (ii) designating specific distribution areas in offline channels or platforms in online channels to each distributor through distribution agreements; offline distributors are generally assigned to specific department stores, while online distributors are typically allocated to specific online platforms; and (iii) instituting a product tracing system that generates a unique code for our products to enhance product traceability throughout their lifecycle to identify any cannibalization risk across our channels in order to promptly resolve such issues.

To our best knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties, and there was no employment, financing or family relationship between our distributors and us.

MAKEUP ARTISTRY TRAINING

Dedicated to raising the standard of makeup artistry and aesthetic literacy in China, we had established nine Institutes of Makeup Artistry in China as of the Latest Practicable Date, namely, Hangzhou, Beijing, Shanghai, Chengdu, Shenzhen, Chongqing, Wuhan, Qingdao and Zhengzhou. We offer comprehensive in-person makeup training programs at these institutes to disseminate our deep-rooted knowledge in makeup artistry and Mr. Mao's aesthetic philosophy to budding makeup artists and beauty enthusiasts. As of June 30, 2024, we had 194 training personnel and 3,539 program participants enrolled in our training institutes. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, revenue generated from our makeup artistry training and related sales amounted to RMB82.3 million, RMB54.4 million, RMB104.1 million, RMB39.3 million and RMB71.5 million, accounting for 5.2%, 3.0%, 3.6%, 2.8% and 3.6% of our total revenue, respectively.

BUSINESS

The following table sets forth the number of our training personnel and program participants as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Training personnel	204	153	161	194
Program participants	1,219	1,418	2,569	3,539

Our makeup artistry training programs are designed for a variety of participants, including novices aspiring to makeup-related careers, industry professionals seeking advanced skill levels, and individuals with foundational makeup knowledge aiming to refine their skills. We primarily offer long-term and short-term makeup artistry training programs. Our long-term makeup artistry training programs generally focus on makeup artistry skills as well as image design and artistic creativity, aiming to cultivate professionals with a comprehensive skill set, specializing in advanced character image design with innovative thinking capabilities through systematic training. Short-term programs, such as comprehensive makeup and styling, fashion lifestyle and creative styling, generally emphasize practicality and applicability. Our programs are closely aligned with market demands and current fashion trends, striving to meet the employment needs of program participants aspiring to become makeup artists and stylists. In addition, we also offer interest-oriented classes for program participants seeking to improve their makeup skills and personal image. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material dispute with our program participants.

The following table sets forth the major categories and typical durations of our training programs offered during the Track Record Period:

Makeup Artistry Training Program Category	Typical Duration
Image design and artistic creativity program	10 months
Comprehensive makeup and styling program	6 months/ 5 months
Light and shadow/Fashion and beauty makeup program	3 months
Fashion and beauty makeup program	2 months
Other short-term interest-oriented programs	Within 2 months

BUSINESS

We have adopted a standardized pricing policy for all programs except for short-term interest-oriented programs, ensuring consistency of pricing across all training institutes. We comprehensively consider a number of factors, including program content, program duration, market demand, operational costs, geographic location of the institutes and the income level within the city when determining the price for each program. For short-term interest-oriented programs, the pricing is determined by each institute and may vary across locations. These programs are designed to cater to diverse program participants needs and may vary in content and duration from one institute to another, reflecting local preferences and specialties. This flexible pricing structure allows us to adapt to local market conditions and demands, ensuring that our offerings remain competitive and relevant. During the Track Record Period, the price of our programs ranged from approximately RMB500 to RMB35,000, with an average price of approximately RMB10,000.

In our makeup artistry training programs, we offer related sales where program participants have the option to purchase cosmetic products from our Company through the training institutes for use during their programs. We also provide various products tailored to the duration and specific needs of different programs. These include sets of products, individual retail items and other beauty and hairstyling tools, allowing program participants to replenish as needed. We offer products at certain discounts off the standard retail price. We inform our program participants prior to enrollment that they will need specific tools and supplies for their programs, which they can purchase from us or provide themselves on a voluntary basis. We ensure that enrollment in our training programs is based on the personal interest and choice of the program participants, with no requirement to purchase our products as a condition of enrollment.

In terms of fee collection procedure, the program participants make payments directly to the designated corporate account of the respective institutes. Upon receiving the fees, institutes issue receipts to the program participants, followed by full invoices once the program participants commence their programs. Program participants are required to pay a deposit prior to commencement of their programs, with the balance due upon commencement. Program participants can request a full refund of the deposit if they decide not to proceed with the program before the program starts. We did not generate any forfeited income from the collection of deposits during the Track Record Period. Refund requests are usually processed within 15 days upon our acceptance to refund application. In addition, our refund policy, as stipulated in the enrollment agreement, generally details the following provisions:

- *Cancelation by the Institute:* If the institute cancels or discontinues a program, it will refund the remaining tuition and deposits based on the training progress made.
- *Withdrawal by the Program Participant:* If a program participant withdraws within seven days of enrollment, a full refund is issued. Post the seven-day period, refunds are calculated based on the portion of the program completed. The fee for the completed stages is deducted from the total paid, with the remainder refunded.

PRICING

The retail prices of our products are determined based on various factors, including cost of materials, the price of comparable products in the market, market conditions and our manufacturing and operation costs. As we may introduce the same products across different sales channels with varying product specifications, the final retail prices may vary across channels. However, we have generally implemented a consistent overall pricing strategy across all channels in terms of price per gram/ml for our products. Our color cosmetics products generally come with a recommended retail price range between RMB200 and RMB500. Our skincare products generally come with a recommended retail price range between RMB400 and RMB800. We may, from time to time, offer discounts and participate in promotional events hosted by third-party e-commerce platforms and department stores. We may also offer rewards and discounts to our registered members pursuant to our membership policies. With respect to sales to distributors, our products are generally sold at a discount to the recommended retail prices of our products, taking into account the volume of products purchased by our distributors, the profit margins of our distributors, the prices of our products across the market, marketing and promotion costs for the sales channels, designated distribution areas, and the number of end-customers the distributors can reach. For products sold to distributors who operate counters of our brands, prices also accounted for our operational costs for providing relevant support for counter operations. For details of our pricing policies for different sales channels, see “— Our Sales Network.” For pricing of our makeup training programs, see “— Makeup Artistry Training.”

BRANDING AND MARKETING

Brand reputation is at the core of our competitiveness. We employ a content-driven branding and marketing strategy to build our brand reputation, focusing on the following key aspects.

Brand Building

We aim to build our branding strategy on solid foundations, establishing a stable and unified brand image and reputation. We have forged strategic partnerships with reputable brands and institutes to increase our brand visibility and strengthen our market position.

Embracing Oriental Aesthetics

We craft our brand to capture the quintessence of oriental-inspired aesthetics, embracing a universally acknowledged interpretation for “orient” rather than a narrow, exoticized view. The term “inspired” reflects our dedication to venerating and revitalizing classical cultural legacies through partnerships with distinguished artists and designers.

BUSINESS

We have collaborated with the Cultural and Creative Institute of the Palace Museum to introduce the product collection “Eastern Aura Elegance,” offering meticulously designed products that echo China’s profound cultural heritage. This collection infuses rich oriental motifs into modern beauty concepts, incorporating the legacy of the Palace Museum and the essence of oriental aesthetics into its product offerings.

In addition, to celebrate the rich cultural heritage that inspires our brand, we staged an art show at the Deshou Palace Museum during the Southern Song Dynasty Cultural Festival. The event pays homage to the craftsmanship and aesthetics of the Southern Song Dynasty. Visitors were shown to a display of our products alongside traditional artworks and cultural performances, creating a multi-sensory experience that resonated with our brand’s values. The pictures below showcases our art show at the Deshou Palace Museum for the Southern Song Dynasty Cultural Festival in 2022:



Promoting Light and Shadow Makeup Artistry

The consistent application of light and shadow makeup artistry in our products and promotion events has established us as a representative of a unified aesthetic language in the minds of consumers. For our Light and Shadow Collection, see “— Our Business — Color Cosmetics.”

Upholding Premium Brand Positioning

We strive to maintain a high-end brand positioning, delivering products and experiences that embody sophistication and exclusivity. As a leading player in China’s beauty industry, we have regularly participated in the prestigious China International Fashion Week. Our runway shows feature top models and celebrities showcasing our latest product collections, with innovative makeup looks that push the boundaries of creativity and style. These high-profile appearances have helped to solidify our position as a trendsetter and innovator in the beauty world, garnering media coverage and social media buzz.

BUSINESS

In 2020, we partnered with Sephora, a globally renowned premium beauty retailer, and launched an exclusive line of MAOGEPING • Light products in Sephora stores across China. This collaboration has expanded our brand’s reach and exposure, allowing us to expand our product reach and gain valuable consumer insights. The pictures below showcase our MAOGEPING • Light product line:



Showcasing Master Makeup Artistry

We continuously showcase our achievements in the field of makeup artistry to enhance our brand value. Mr. Mao, in collaboration with reputable KOLs, have created a series of engaging makeup tutorial videos on social media platforms. These videos not only showcase our products’ efficacy but also provide valuable makeup tips and techniques, enhancing our brand’s professional image and consumer engagement. Mr. Mao’s extensive expertise and charisma have attracted a large following of makeup enthusiasts who regularly tune in for new content. Some viewers have even endearingly referred to Mr. Mao’s ability to transform a face as “head-swapping magic.” These tutorials have become an essential part of our content marketing strategy, driving brand awareness, product interest, and consumer loyalty.

Celebrating Positive Lifestyle

By collaborating with athletes and sports events, we associate our brand with a positive lifestyle. Our sports collection, “Spark Shining,” is specifically designed for TEAM CHINA’s national athletes. Adhering to strict product safety and quality standards, including being hypoallergenic, non-irritating, performance-safe and anti-doping compliant, this collection offers enhanced durability, waterproofing, and sweat resistance to meet athletes’ needs. This collection also showcases the spirit of sports and the beauty of athleticism in the global sports event. In 2021, MAOGEPING became the official designated beauty product and service provider for the Hangzhou 2022 Asian Games and our products and services are provided free of charge as part of the sponsorship, which solidified MAOGEPING’s association with sports, wellness, and national pride. We were named as one of the official sponsors for China’s artistic swimming team in 2022, and TEAM CHINA in 2023, and our products and services are provided free of charge as part of our sponsorship.

Marketing Initiatives

Channel Collaborations

We have implemented various marketing campaigns in collaboration with our online and offline sales channels, such as:

- *Tmall “Light and Shadow 20th Anniversary” Campaign:* In celebration of our 20th anniversary, we partnered with Tmall, China’s leading e-commerce platform, to launch the “Light and Shadow 20th Anniversary” campaign. This exclusive online event featured limited edition products, special promotions, and interactive activities designed to engage our consumers and showcase our brand’s history and achievements.
- *Douyin “Oriental Selection” Event:* We collaborated with Douyin, a popular short-video platform in China, to host the “Oriental Selection” event. This campaign featured a curated collection of our products that embody the essence of oriental beauty, along with a series of short videos and livestreaming sessions hosted by influential beauty creators. The event generated significant buzz and drove sales through the platform.
- *Brand Day and Member Day Events at our Counters:* We regularly organize these events at our counters in department stores and shopping malls nationwide. These events offer exclusive promotions, gifts with purchase, and personalized beauty services to our loyal customers and members. By creating a festive and engaging atmosphere, we aim to strengthen our customer relationships and drive repeat purchases. The picture below showcases our counter designs and set up for our Brand Day:



KOL Endorsements

We partner with reputable KOLs who test and endorse our products through short videos, posts, or livestreaming sessions on popular social media platforms. These endorsements resonate with their followers and enhance our brand’s visibility and credibility. Our KOL partners are carefully selected based on their expertise, influence, and alignment with our brand values. By leveraging their marketing perspectives and creative content, we can reach a wider audience and foster a deeper connection with our target consumers.

As advised by our PRC Legal Advisor, several regulatory changes associated with KOLs and their operations have recently been implemented in China. See “Regulatory Overview — Regulations Relating To Advertising.” We have been conducting business in compliance with the relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date, while requiring the KOLs with whom we collaborate with to comply with relevant laws and regulations in our agreements with them. As such, we do not expect these laws and regulations to have material and adverse impact on our business.

As part of our marketing strategy, we collaborate with KOL agencies to engage KOLs for promotional activities. The salient terms of the typical agreements with KOL agencies are set forth as follows:

- Duration*** Agreements generally range from one month to one year.
- Service scope*** KOL agencies engage KOLs to conduct marketing campaigns through livestreaming sessions, short videos, or social media posts to promote our brand and products. We provide promotional materials and guidelines, based on which KOLs create and disseminate content such as social media posts, short videos, posters, or scripts for livestreaming sessions.
- Fee arrangement***. Fees are typically structured in the following formats: (i) a fixed fee for livestreaming services, and (ii) a promotional service fee in a fixed amount or as a percentage of sales generated.

BUSINESS

<i>Intellectual property</i>	We generally retain the intellectual property rights for materials supplied to KOLs for the creation of promotional content. KOLs typically retain the intellectual property rights for their work products, excluding materials provided by us. Both parties are obligated to maintain the confidentiality of trade secrets, including customer and transactional information.
<i>Product sales and customer service</i>	We are responsible for providing products for sale, typically through links directing consumers to our self-operated online stores, and for post-sale customer services.
<i>Termination</i>	Agreements can typically be terminated upon expiry, by mutual consent, or in the event of a substantial breach by either party.

We do not have a significant concentration of KOLs or KOL agencies in terms of the gross merchandize value (“GMV”) they contributed during the Track Record Period. The total GMV of our top five KOL agencies in each year/period during the Track Record Period, amounted to RMB94.3 million, RMB83.3 million, RMB249.6 million and RMB245.4 million respectively.

Membership System

We have established both online and offline membership loyalty programs catering to the diverse preferences and engagement styles of our customers. Each system provides tailored benefits and privileges that enhance the shopping and brand experience for our members.

Our online membership system, available through our self-operated online stores on Douyin and Tmall, offers a tiered structure for VIP levels. Members benefit from interchangeable points and levels across platforms, which fosters a seamless integration of shopping experiences. These points can be earned and used across various interactions, including purchases, which enhance customer engagement and encourage brand loyalty. The online membership system is designed not only to reward purchases but also to increase interaction through exclusive member benefits such as product trials, special promotions, and birthday gifts. The privacy of member data is stringently protected, adhering to our comprehensive privacy policy.

In addition, our offline membership system enables registration at offline counters or through linking WeChat public accounts, catering to customers who prefer in-person interactions. This system offers benefits such as birthday gifts and personalized makeup services based on members’ VIP levels. Offline membership benefits and tiers are dynamically adjusted based on cumulative spending over a 12-month period, with detailed rules provided in store and via our platforms to ensure transparency.

BUSINESS

Our consumers can join both of our online and offline membership loyalty programs to enjoy membership benefits. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had a total of approximately 4.0 million, 6.3 million, 10.3 million and 12.4 million registered members, respectively, across both our online and offline membership loyalty programs. Both systems are aligned in their goal to offer tailored experiences and rewards but are differentiated by the manner of interaction and the specific nature of rewards and benefits. By maintaining both online and offline systems, we effectively address the varied preferences of our diverse customer base, ensuring accessibility and satisfaction whether shopping online or at a physical location.

We calculate the repurchase rate of our registered members by dividing the number of registered members who purchased our products for two or more times during each year/period comprising the Track Record Period by the number of registered members who made at least one purchase during the same period of time. The following table sets forth our registered members' repurchase rate by sales channel for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023 ⁽¹⁾	2024 ⁽¹⁾
Online channels	13.9%	19.7%	22.0%	16.8%	21.5%
Offline channels	29.9%	32.6%	32.8%	27.3%	28.7%
Overall	24.1%	25.6%	26.8%	21.3%	24.8%

Note:

- (1) The repurchase rates in the six months ended June 30, 2024 are generally lower than those for the full years of 2021, 2022 and 2023. This is primarily due to (i) the usage duration of our products, which lengthens the repurchase cycle; and (ii) seasonal factors, with sales usually peaking in the fourth quarter during shopping festivals and public holidays.

According to Frost & Sullivan, the industry average online repurchase rate is approximately 10.0%. Our overall repurchase rates and online member repurchase rates during the Track Record Period, while calculated using methods in line with industry practice, were higher than the industry average, according to the same source.

Experiential Marketing

Our offline marketing strategy focuses on providing pleasant and experiential consumer experiences through:

- *Makeup Trials and Half-Face Comparison Demonstrations at our Counters:* Our counters are designed to feature a designated area for makeup trials, where customers can test our products and experience their effects firsthand. Our skilled beauty advisors offer half-face comparison demonstrations, applying our products on one side of the customer's face while leaving the other side bare. This powerful visual contrast highlights the transformative power of our cosmetics and encourages customers to make a purchase.

BUSINESS

- *Professional Beauty Advisors Offering Personalized Services and Advice:* Our counters are staffed by well-trained beauty advisors who possess extensive product knowledge and makeup skills. They provide personalized recommendations based on each customer's unique skin type, facial shape, skin concerns, and preferences, ensuring a tailored and satisfactory shopping experience. Our representatives also offer complimentary touch-ups and mini makeovers to showcase our products' versatility and performance.
- *Makeup Shows with Promotions and Consumer Rewards:* To create a sense of excitement and engagement around our brand, we organize various types of makeup shows and events at our counters and stores. Our makeup shows feature live demonstrations by our top makeup artists, showcasing the latest techniques and product launches. These events help to drive foot traffic, generate buzz, and create a memorable brand experience for our customers.

Through our branding efforts and targeted marketing initiatives, we aim to elevate our brand's profile, strengthen consumer loyalty, and drive sustainable growth. Our content-driven approach to branding, combined with our marketing strategies, has yielded positive results, with our repurchase rates during the Track Record Period exceeding the industry average.

PRODUCTION AND SUPPLY CHAIN MANAGEMENT

Procurement

We primarily procure raw materials for color cosmetics and skincare products, packaging materials and outsourced finished products including certain makeup tools such as brushes, eyebrow pencils and sponges. We have put in place a centralized supplier management system and implemented a rigorous supplier selection and evaluation procedure. We have a dedicated department responsible for reviewing the qualifications of suppliers, periodically evaluating their performance and updating the list of suppliers. We meticulously select our suppliers by taking into account a number of factors, including their product quality and efficacy, production facility conditions, warehouse management capabilities, quality control and production equipment management capabilities. We also conduct thorough on-site inspections before engagement to ensure their standards meet our requirements and align with our business objectives and customer needs. For qualified suppliers, our procurement department is responsible for establishing and maintaining supplier lists and conducting performance evaluation on existing suppliers on their product quality and timeliness in delivery. We reserve the right to terminate our relationship with suppliers who do not meet our internal standards. For details of our five largest suppliers in each year/period during the Track Record Period, see "— Our Suppliers." During the Track Record Period, we did not encounter any material quality problems or receive defective products, nor did we experience any supply shortages that materially and adversely affected our business, financial condition or results of operations.

Production

To ensure optimal efficiency and uphold stringent quality control standards, we selectively partnered with reliable ODM/OEM providers for the production of our products throughout the Track Record Period. We retain decisive authority over the products' attributes, efficacy and aesthetic presentation in such partnership. Our efforts are concentrated on the refinement of essential cosmetic parameters, such as hue, oil-water balance, pliancy, viscosity and surfactant levels, to ensure our products suit the skin types and cosmetic needs and preferences of Chinese consumers. We also invest in the innovative packaging designs, engaging patterns, tactile experiences, creative narratives and tailored product forms to refine product appearances, which captivates consumers and underscores the intrinsic value of our offerings. Through such strategic partnership with ODM/OEM providers, we implement specialized production and processing protocols that not only reinforce quality control but also encourage a competitive dynamic among our ODM/OEM providers.

We carefully take into account a number of factors when selecting ODM/OEM providers, including price, product quality, production capacity, delivery scheme, geographic position, financial condition and reputation. In addition, we adjust production volume by certain ODM/OEM providers from time to time, which reduces our reliance on any single provider. In 2021, 2022, 2023 and the six months ended June 30, 2024, we engaged six, eight, eight and eight ODM/OEM providers for the production of our main products. We did not rely on any single ODM/OEM provider for the production of our core products. We maintained good relationships with multiple ODM/OEM providers throughout the Track Record Period. However, in event that we need to engage a replacement service provider, there are other ODM/OEM providers with comparable production capabilities. Given that in 2023, the SKUs produced by our largest ODM/OEM provider represented approximately 25.4% of the total SKUs involving ODM/OEM providers for production, and considering the availability of sufficient ODM/OEM providers in the market to produce our products according to Frost & Sullivan, there was no material concentration of ODM/OEM providers throughout the Track Record Period which would have a material adverse effect on our business and results of operations.

The major steps involved in our production process include:

- ***New Product Development Initiation.*** Our Core Product Design and Development Team analyzes and investigates future trends to pinpoint key products and design elements, thereby initiating the new product development project.
- ***Material Enhancement and Formula Specification.*** To meet project requirements, we identify suppliers who are capable of producing required materials for product production. After engagement, our suppliers deliver basic materials, which our Core Product Design and Development Team then fine-tunes in terms of texture and color to reflect popular trends, suggesting enhancements. Following thorough collaborative enhancement and development, we determine the formulas for cosmetics and skincare materials in line with the latest industry trends.

BUSINESS

- ***Third-Party Inspection and Procurement Planning.*** Prior to production, we send samples of new materials to third-party quality inspection agencies for testing. For existing materials, our suppliers deliver samples of the materials that have been tested by third-party quality inspection agencies to our Quality Control Center for confirmation. Meanwhile, we develop a procurement plan and use materials that have passed external testing for production.
- ***Production and Quality Assurance.*** Post-inspection, we proceed to mass production, followed by inventory quality checks for finished products.

We primarily engaged in three models of cooperation with our ODM/OEM providers, including the commissioned processing, the contracted processing model and outsourcing. In the commissioned processing model, we are responsible for the procurement of raw materials for color cosmetics, skincare products and packaging materials. We then supply these raw materials to ODM/OEM providers who are tasked with manufacturing and packaging the finished products. In the contracted processing model, our ODM/OEM providers are responsible for the procurement of raw materials for color cosmetics and skincare products according to our specifications. We are responsible for procuring the packaging raw materials. Subsequently, ODM/OEM providers undertake the production and packaging of the finished products. And in the outsourcing model, we directly purchase certain finished products from suppliers, primarily including makeup brushes and other ancillary cosmetic items.

The following table sets forth a summary of the salient terms of our standard agreements with ODM/OEM providers:

<i>Duration</i>	The term of our agreements with ODM/OEM providers is typically three years.
<i>Procurement of raw materials</i>	<p>In the commissioned processing model, we are responsible for the procurement of raw materials.</p> <p>In the contracted processing model, our ODM/OEM providers are responsible for the procurement of raw materials.</p>
<i>Arrangement of product design and development</i>	We generally require our ODM/OEM providers to use certain kinds of materials for the design and development of our products.
<i>Production</i>	Our ODM/OEM providers are primarily responsible for production of cosmetics products based on our requirement.

BUSINESS

Extension of agreement

A request for the extension of agreement must be submitted in writing to the other party within 30 days before the expiration of the agreement.

Intellectual property

All materials provided by us to the OEM/ODM providers or formed during the cooperation between both parties, including but not limited to trademarks, logos, design drawings and design plans, as well as copyrights and patent application rights, shall remain our property. The OEM/ODM providers are permitted to use these materials provided by us only within the scope of our prior consent and for the purpose of the cooperative project. They are prohibited from using these materials for any other purposes without our prior consent. Furthermore, the OEM/ODM providers are not allowed to imitate, develop, invent, or apply for any intellectual property protection based on our information. OEM/ODM providers retain their intellectual property rights to their own formulas and production techniques that they provide for use during the product development process.

Additionally, the OEM/ODM providers guarantee that the formulas and processes used in the products sold and delivered and production techniques that they provide for use during the product development process to us, whether in whole or in part, have legally obtained all relevant intellectual property rights and will not infringe upon any third party's legitimate rights. For products that involve intellectual property rights not owned by the OEM/ODM providers, they are obliged to provide us with formal proof from legitimate channels, such as patent use authorization certificates. At all times, the OEM/ODM providers shall bear any costs and losses that we may incur as a result of any IP-related issues.

Confidentiality

Both parties shall keep the agreement confidential. Without the consent of the other party, neither party shall not use nor disclose, sell, or engage in any other actions that could result in the disclosure of confidential information to third parties outside of the agreement.

To safeguard trade secrets from potential leakage by ODM/OEM providers, we typically include a confidentiality clause in our agreements with them to ensure all confidential information, including technical know-how such as ingredients and formulas received due to or during the execution of the agreement, are prevented from disclosing to third parties. Access to critical information, such as ingredients and formulas, is restricted to those individuals who have a legitimate need to know for the purposes of the agreement, minimizing the risk of exposure. These practices collectively enhance the security of sensitive information within the product design, development and manufacturing process. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any major shortage or delay in the supply of our products by our ODM/OEM providers, nor did we encounter any material disputes with our ODM/OEM providers.

Our Production Expansion Plan

We plan to establish an in-house production base to build up our independent production capacity. As of the Latest Practicable Date, we had one production facility under construction in Hangzhou, China, which is expected to commence operation by mid-2026. The planned production facility will be used for production for color cosmetics and skincare products with a designed annual production capacity of approximately 15.4 million product units. Our in-house production strategy and R&D capabilities will gradually evolve through different stages. See “Our Strategies — Upholding Brand Positioning Founded on Makeup Artisanhip, Advancing Product Development and Makeup Artistry Training.” Initially, we will focus on the accumulation of research experience and the filling and packaging of semi-finished products. This will refine our production process and build a solid foundation for future production activities. In the next phase, we will transition to the manufacturing and packaging of self-developed products to integrate our R&D efforts with the production processes. Leveraging our advanced R&D and production capabilities, we can gradually shift part of our outsourced production process to in-house production. In the long run, we will focus more on the production and packaging of our core products including our best-selling and self-developed skincare products and color cosmetics. We plan to retain in-house production and packaging of these core products to maintain quality control, safeguard intellectual property and enhance our competitive edge, while outsourcing other products to ODM/OEM providers to optimize resource allocation and operational efficiency. Despite the upfront investment, we aim to maintain strict control over production costs and believe that the long-term benefits, including enhanced quality control, intellectual property protection and greater innovation flexibility, would outweigh the initial investments, collectively strengthening our competitive edge and enabling swift responses to market trends. Additionally, with established in-house R&D and production capabilities, we can effectively facilitate and provide technical support

BUSINESS

for our ODM/OEM providers in product production. This selective in-house production is intended to serve specific strategic needs rather than replace the extensive scale of ODM/OEM production. This will allow us to directly control product quality and adapt more swiftly to market trends, enhancing our ability to meet consumer demands promptly and effectively. Moreover, the gradual shift towards in-house production is anticipated to optimize our cost structure over time, contributing to increased operational efficiency and potential margin improvement as we scale up production capabilities, reduce external dependencies, lower production costs and improve product turnaround times.

Given the time required to reach full operational capacity and the subsequent scaling phase, we anticipate that our partnerships with ODM/OEM providers will continue to play a crucial role in our overall manufacturing strategy for the foreseeable future. As our in-house production capabilities may not be sufficient to meet the growing demand for our products, we expect to maintain a significant level of collaboration with our ODM/OEM partners. This approach allows us to ensure production flexibility and scalability while we develop our own manufacturing expertise. As we progress through these phases, we will continually evaluate and adjust our production strategies, balancing in-house capabilities with external partnerships, to ensure optimal efficiency, quality control, and ability to meet market demands.

The table below sets out the details of our planned production facility:

Production base	Product categories	Designed annual production capacity	Estimated time of completion	Estimated investment	Status as of the Latest Practicable Date
Hangzhou	Color cosmetics and skincare products	15.4 million product units	mid 2026	RMB100.0 million	Under construction

Animal Testing and Animal Welfare

The necessary animal testing is conducted in compliance with laws and regulations in mainland China. These tests are conducted by external testing agencies, whom we mandate to uphold animal ethics and respect animal life. We adopt stringent selection criteria in relation to our business partners and vendors, particularly when it comes to protecting animal welfare. We are acutely aware of the cruelties surrounding indiscriminate animal testing in cosmetics, and we exercise great caution in ensuring that any animal testing is done in strictly controlled environments, and that, as part of our vendor selection process, third parties we engage should obtain the full suite of licenses and credentials and should be suitably qualified with dedicated professionals, quality laboratories and equipment, and stringent animal testing protocols to conduct such tests in a humane manner as possible.

BUSINESS

We conduct rigorous evaluations of our testing suppliers and follow up with spot checks to inspect the living environments and diets of animals, thereby ensuring that we do not collaborate with institutions that fail to prioritize animal welfare. We also regularly check with the testing centers to ensure that their relevant licenses have not expired. Furthermore, while ensuring the safety of our products, we are also committed to reducing unnecessary animal testing. See “Regulatory Overview — Regulations Relating to Safety and Quality of Cosmetics” for details of the relevant laws and regulation. We believe these measures allow us to stay abreast of latest developments and remain compliant.

Inventory Management

Our inventories are primarily comprised of finished goods, raw materials and work in progress. As of December 31, 2021, 2022, 2023 and June 30, 2024, our inventories amounted to RMB209.7 million, RMB299.5 million, RMB342.2 million, RMB312.6 million, respectively.

Our inventory management strategy is dynamic and responsive, taking into account the individual needs of different product categories and adjusting inventory levels based on careful analysis of production cycles and sales forecasts to ensure efficiency and responsiveness to market demands. We developed policies and procedures for procurement and inventory management, indicating a proactive and structured approach to managing our supply chain. The inventory management measures that have been implemented are designed to maintain an optimal level of stock, which is crucial for meeting customer demand without incurring excessive holding costs or facing stockouts. Our management team also reviews the inventory aging, product expiration dates and turnover analysis of inventories periodically, and we organize promotions for slow-moving products.

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

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Within 1 year	195,490	258,996	293,782	269,701
1-2 years	9,943	37,047	41,236	37,231
2-3 years	4,016	3,095	6,924	4,998
Over 3 years	292	335	264	641
Total	209,741	299,473	342,206	312,571

BUSINESS

We have demand planning policies and procedures to ensure that scheduled production is aligned with anticipated market demand. Inventory levels are determined based on the production cycle, which is the time it takes to produce goods, and the sales forecast, which is an estimate of future sales. The safety stock is set at one to two months' worth of inventory based on the monthly sales forecast. Safety stock is the additional quantity of an item held in the inventory to reduce the risk of stockouts caused by fluctuations in supply and demand. By setting safety stock at this level, we aim to have a buffer that protects against uncertainties in the market.

Furthermore, we recognize that each product category may have its own supply chain and sourcing cycle. We apply multiple inventory management strategies across all products and tailor production plans and sales targets for each product category based on specific inventory levels and the characteristics of their respective supply chains.

In 2021, 2022, 2023 and the six months ended June 30, 2024, our inventory turnover days were 232.6 days, 320.6 days, 273.5 days and 202.4 days, respectively. As we engaged ODM/OEM providers for the production of our products throughout the Track Record Period, the production lead time was generally three to four months, resulting in long inventory turnover days. We recorded longer inventory turnover days in 2022 than in 2021, primarily due to the impact of COVID-19 resulting in lower-than-anticipated sales volume in 2022. In particular, as offline sales constitute majority of our total revenue, our offline sales channels were adversely affected in 2022. Our inventory turnover days in 2023 were shorter than those in 2022, as a result of higher sales growth rate since the pandemic subsided. Our sales volume across both online and offline sales channels improved in 2023 and the six months ended June 30, 2024. Our inventory turnover days further decreased from 273.5 days in 2023 to 202.4 days in the six months ended June 30, 2024, primarily due to a depletion of packaging materials in raw materials. See "Financial Information — Discussion of Key Items of Consolidated Statements of Financial Position — Current Assets and Liabilities — Inventories."

Warehousing and Logistics

During the Track Record Period, we primarily engaged third-party logistics service providers to provide warehousing facilities and delivery services. We select logistics service providers based on their reputation, scale of operations, track record and price. We typically enter into long-term agreements with our logistics service providers. Our logistics service providers bear the risks associated with the delivery of our products and the liability for product damages occurring during the transportation process and are required to purchase necessary insurance. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruption in the delivery of our products or suffered any loss due to late delivery or mishandling of products by our logistics service providers.

PRODUCT SAFETY AND QUALITY

We are committed to quality and reliability. Our products undergo rigorous testing and validation from product design and development, procurement, production and storage and delivery to ensure that they meet industry standards and customer requirements. As of June 30, 2024, our Quality Control Center comprised 16 employees responsible for quality assurance, safety testing and regulatory compliance, approximately 70.0% of whom held a bachelor's degree or higher, with an average industry experience of about 12 years. Many of them have previously held similar positions in quality management at large foreign-funded enterprises. All employees in the Quality Control Center have completed training in quality management systems and regularly undergo training on quality management regulations to continuously enhance their professional knowledge and legal expertise in quality and safety management, ensuring their competence in performing their duties.

Product Design and Development. We adopt a proactive approach to quality management by integrating our quality control processes with the product design and development phase. The collaboration between the Quality Control Center and the product development team fosters identifying and resolving potential quality issues before the product reaches the production stage. By involving quality control at the early stages of product design and development, we can incorporate quality considerations into the design specifications and criteria, which include selecting materials that meet quality standards, designing for manufacturability, and ensuring that the product can be reliably produced within quality tolerances. For example, early in the product design stage, we adhere to stringent measures to control the use of prohibited and restricted ingredients in our cosmetic products in compliance with applicable regulations. We strictly follow the requirements set forth in the Safety and Technical Standards for Cosmetics to manage prohibited and restricted ingredients, ensuring that no prohibited ingredients are added to our products. For restricted ingredients, we conduct thorough formula testing to ensure compliance with the specified limits.

Procurement. We have a supplier selection process in place for procuring raw materials. The qualification assessment is a comprehensive evaluation that suppliers must undergo before they can do business with us. The assessment ensures that only suppliers who meet our standards for quality, reliability, and possibly other criteria such as sustainability and ethical practices are chosen to provide raw materials. See “— Production and Supply Chain Management — Procurement.” After the procurement process, we have established a comprehensive traceability management system that allows for the tracking of raw materials used in production to ensure their traceability and quality in accordance with legal and regulatory requirements. For example, we have set up standards to make sure that the standard Chinese name, INCI name, CAS number, batch number, production and expiration date and manufacturer information of the products are all traceable through the labels on raw materials. The Certificate of Analysis (“COA”) for raw materials also includes specific parameters such as purity and content. Moreover, we collaborate with our OEM/ODM providers to ensure they

BUSINESS

also have robust traceability systems in place, ensuring their use of all raw materials can be traced through production records and weighing records. These measures collectively represent our stringent control over raw material quality and safety, ensuring that products meet relevant legal and regulatory standards.

Production. We have implemented a set of quality control standards for our ODM/OEM provider to ensure consistent high quality of our products. See “— Production and Supply Chain Management — Production.” We take meticulous quality control measures after the completion of product processing and packaging. Our Quality Control Center plays a pivotal role in this process, undertaking internal inspection and external testing. The Quality Control Center sorts and inspects the finished products against our quality standards to ensure the products are free from defects and meet all specified requirements. In addition to the Quality Control Center, we have also established a thorough quality and safety responsibility system that clearly outlines the duties of responsible personnel in each department, with detailed procedural documents to ensure adherence to regulatory standards and the achievement of quality objectives. The finished products are sent to national or local testing institutes for further testing. The external testing is an additional layer of quality assurance that serves to verify the product’s compliance with relevant national standards and regulations. It may involve a range of tests, including safety, performance and durability assessments, depending on the nature of the product.

Product and Chemicals Safety. We are dedicated to maintaining high standards of product safety and ensuring compliance with relevant laws and regulations regarding chemical usage in our operational areas. To address the increasing complexity of regulatory requirements and consumer expectations for safe, natural and healthy ingredients, we are proactively investing in product research and development as well as compliance management. Each product undergoes a comprehensive safety assessment before launch, ensuring adherence to applicable laws, regulations and industry standards, including those related to hazardous chemicals. Specifically, each product has a product inspection report issued by a third-party inspection authority, in compliance with the Provisions on the Administration of Materials for the Registration and Record Filing of Cosmetics. These reports adhere to the relevant regulations, including the Safety and Technical Standards for Cosmetics and the Specifications for the Implementation of Cosmetics Registration and Filing Inspection. The product inspection reports encompass a comprehensive range of tests, including microbiological and physical and chemical tests, toxicological tests, human safety test reports and human efficacy test reports. This rigorous inspection process ensures that all products meet the required safety and efficacy standards before reaching consumers. We also engage external vendors to conduct independent testing and audits of our products, with no significant adverse findings reported during the Track Record Period and up to the Latest Practicable Date. Our vendor selection process requires third parties to have all necessary licenses and credentials, and to be equipped with qualified professionals, quality laboratories and equipment. We regularly verify the validity of licenses with testing centers to maintain our commitment to product safety and quality.

BUSINESS

Storage and Delivery. Our finished products are stored in designated zones within our warehouses according to our storage policies. Our products are stored under conditions with ventilation, temperature and humidity controlled. In addition, we take measures to safely store our goods with fire-fighting facilities. We cooperate with selected logistic providers to ship our finished products in a cost-effective and timely manner.

INFORMATION TECHNOLOGY

Information technology systems are essential to competitiveness and efficient operations. We have instituted a systematic information technology system covering all material aspects of our operations, including product sales, human resource management, membership management, financial reporting, e-commerce transactions via third-party platforms, management of makeup artistry training institutes and logistics. The key information of our information technology systems are set forth below:

- **Jiadie System:** We have implemented a sales management system, namely the Jiadie System, to streamline product sales across our counters and distribution network. It consolidates sales data, product details, pricing, and distributor purchase information. Additionally, it monitors inventory levels in our warehouses, providing alerts for product shortages, which informs our product distribution decisions. The system facilitates performance analysis of our counters and integrates with our offline settlement system to manage discount policies.
- **Human Resources Management System:** This system manages employee data, recruitment processes, payroll, outsourcing, and attendance records. It provides robust technical support to enhance staff management standards and operational efficiency. The system also generates performance reports for employee monitoring.
- **Membership System:** Our membership system consolidates and manages membership data collected through multiple channels, enabling us to effectively oversee members' activities and implementing customized marketing and sales strategies for our members.
- **OA System:** Our Office Automation ("OA") system enables the electronic processing of approvals of requests submitted during normal course of business, significantly improving our operational efficiency.
- **U8 System:** We have implemented and continually upgrade an integrated financial management system, namely the U8 System, which records transactions, accounts receivable, fixed assets, and other financial data. It encompasses sales, procurement, outsourcing, quality control, inventory, and internal audit processes, offering a holistic view of our business operations.

BUSINESS

- **Oms System:** This system manages our e-commerce operations, including the presentation of products on our online store, integration with e-commerce platforms, online marketing strategies, and inventory management linked to our physical warehouses.
- **Xuebang System:** Our makeup artistry training institutes are administered through the Xuebang System that manages recruitment, enrollment, administration, fee processing, attendance tracking, and course scheduling. This system ensures the efficient management of our makeup artistry training institutes.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any information technology system failure or downtime that had a material adverse effect on our business operations.

OUR SUPPLIERS

Our suppliers primarily comprise suppliers of cosmetic materials and finished products, ODM/OEM providers, and logistics and transportation services providers. Purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB175.8 million, RMB194.0 million, RMB262.3 million and RMB153.2 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, representing 52.8%, 50.5%, 53.6% and 52.3% of our total purchases for the same period, respectively. Purchases from our largest supplier in each year/period during the Track Record Period amounted to RMB62.3 million, RMB79.2 million, RMB111.3 million and RMB53.0 million, respectively, representing 18.7%, 20.6%, 22.7% and 18.1% of our total purchases for the same period, respectively. For risks relating to our major suppliers, see “Risk Factors — Risks Relating to our Business and Industry — We depend on a limited number of suppliers and vendors for the procurement of key raw materials, which may subject us to supplier concentration risks.”

The following table sets out the details of our five largest suppliers by purchase cost for 2021:

Year ended December 31, 2021						
No.	Suppliers	Background	Products/ services provided to us	Purchase cost	% of our total purchase cost	Year of commencement of business relationship with us
<i>(RMB'000)</i>						
1.	Intercos Technology (Suzhou Industrial Park) Co., Ltd. (瑩特麗科技(蘇州工 業園區)有限公司) ⁽¹⁾	The supplier primarily engages in researching, developing, manufacturing and selling skincare, color cosmetics and cleansing products.	Cosmetic Materials, Finished Goods and Manufacturing Services	62,282	18.7%	2008

BUSINESS

Year ended December 31, 2021

No.	Suppliers	Background	Products/ services provided to us	Purchase cost	% of our total purchase cost	Year of commencement of business relationship with us
<i>(RMB'000)</i>						
2.	Fengrui Industrial (Huai'an) Co., Ltd. (豐瑞實業(淮安)有限公司) ⁽²⁾	The supplier primarily engages in printing of packaging and decoration prints and producing packages, containers and non-metal models.	Packaging and Finished Goods	38,226	11.5%	2001
3.	Shanghai Zhixin Biotech Co., Ltd. (上海致新生物科技有限公司)	The supplier primarily engages in manufacturing color cosmetics, skincare products and raw materials thereof.	Cosmetic Materials and Manufacturing Services	28,528	8.6%	2009
4.	Shanghai Xinzhou Package Printing Co., Ltd. (上海新洲包裝印刷有限公司)	The supplier primarily engages in printing of packaging and decoration prints and producing boxes for package.	Packaging and Finished Goods	26,469	7.9%	2006
5.	Tianjin San Xing Brush Making Co., Ltd. (天津三星製刷有限公司) ⁽³⁾	The supplier primarily engages in production and sales of premium cosmetic brushes, combs, plastic-coated accessories and models.	Packaging and Finished Goods	20,286	6.1%	2001
Total				175,791	52.8%	

BUSINESS

The following table sets out the details of our five largest suppliers by purchase cost for 2022:

Year ended December 31, 2022						
No.	Suppliers	Background	Products/ services provided to us	Purchase cost	% of our total purchase cost	Year of commencement of business relationship with us
				<i>(RMB'000)</i>		
1.	Intercos Technology (Suzhou Industrial Park) Co., Ltd. (瑩特麗科技(蘇州工 業園區)有限公司) ⁽¹⁾	The supplier primarily engages in researching, developing, manufacturing and selling skincare, color cosmetics and cleansing products.	Cosmetic Materials, Finished Goods and Manufacturing Services	79,159	20.6%	2008
2.	Fengrui Industrial (Huai'an) Co., Ltd. (豐瑞實業(淮安)有 限公司) ⁽²⁾	The supplier primarily engages in printing of packaging and decoration prints and producing packages, containers and non-metal models.	Packaging and Finished Goods	45,410	11.8%	2001
3.	Shanghai Xinzhou Package Printing Co., Ltd. (上海新洲 包裝印刷有限公司)	The supplier primarily engages in printing of packaging and decoration prints and producing boxes for package.	Packaging and Finished Goods	28,295	7.4%	2006
4.	Shanghai Zhixin Biotech Co., Ltd. (上海致新生物科技 有限公司)	The supplier primarily engages in manufacturing color cosmetics, skincare products and raw materials thereof.	Cosmetic Materials and Manufacturing Services	23,881	6.2%	2009
5.	Hangzhou Cainiao Supply Chain Management Co., Ltd. (杭州菜鳥供應 鏈管理有限公司)	The supplier primarily engages in delivery and warehousing.	Logistics and Transportation Services	17,249	4.5%	2021
Total				193,994	50.5%	

BUSINESS

The following table sets out the details of our five largest suppliers by purchase cost for 2023:

Year ended December 31, 2023						
No.	Suppliers	Background	Products/ services provided to us	Purchase cost	% of our total purchase cost	Year of commencement of business relationship with us
				<i>(RMB'000)</i>		
1.	Intercos Technology (Suzhou Industrial Park) Co., Ltd. (瑩特麗科技(蘇州工 業園區)有限公司) ⁽¹⁾	The supplier primarily engages in researching, developing, manufacturing and selling skincare, color cosmetics and cleansing products.	Cosmetic Materials, Finished Goods and Manufacturing Services	111,343	22.7%	2008
2.	Hangzhou Cainiao Supply Chain Management Co., Ltd. (杭州菜鳥供應 鏈管理有限公司)	The supplier primarily engages in delivery and warehousing.	Logistics and Transportation Services	49,277	10.1%	2021
3.	Fengrui Industrial (Huai'an) Co., Ltd. (豐瑞實業(淮安)有 限公司) ⁽²⁾	The supplier primarily engages in printing of packaging and decoration prints and producing packages, containers and non-metal models.	Packaging and Finished Goods	39,759	8.1%	2001
4.	Shanghai Xinzhou Package Printing Co., Ltd. (上海新洲 包裝印刷有限公司)	The supplier primarily engages in printing of packaging and decoration prints and producing boxes for package.	Packaging and Finished Goods	31,586	6.5%	2006
5.	Cosmax China, Inc. (科絲美詩(中國) 化妝品有限公司)	The supplier primarily engages in manufacturing cosmetics products.	Manufacturing Services	30,369	6.2%	2006
Total				262,334	53.6%	

BUSINESS

The following table sets out the details of our five largest suppliers by purchase cost in the six months ended June 30, 2024:

The Six Months ended June 30, 2024						
No.	Suppliers	Background	Products/ services provided to us	Purchase cost	% of our total purchase cost	Year of commencement of business relationship with us
				<i>(RMB'000)</i>		
1.	Intecos Technology (Suzhou Industrial Park) Co., Ltd. (瑩 特麗科技(蘇州工業 園區)有限公司) ⁽¹⁾	The supplier primarily engages in researching, developing, manufacturing and selling skincare, color cosmetics and cleansing products.	Cosmetic Materials, Finished Goods and Manufacturing Services	53,043	18.1%	2008
2.	Hangzhou Cainiao Supply Chain Management Co., Ltd. (杭州菜鳥供應 鏈管理有限公司)	The supplier primarily engages in delivery and warehousing.	Logistics and Transportation Services	37,259	12.7%	2021
3.	Fengrui Industrial (Huai'an) Co., Ltd. (豐瑞實業(淮安)有 限公司) ⁽²⁾	The supplier primarily engages in printing of packaging and decoration prints and producing packages, containers and non-metal models.	Packaging and Finished Goods	26,396	9.0%	2001
4.	Shanghai Xinzhou Package Printing Co., Ltd. (上海新洲 包裝印刷有限公司)	The supplier primarily engages in printing of packaging and decoration prints and producing boxes for package.	Packaging and Finished Goods	19,007	6.5%	2006
5.	Cosmax China, Inc. (科絲美詩(中國)化 妝品有限公司)	The supplier primarily engages in manufacturing cosmetics products.	Manufacturing Services	17,488	6.0%	2006
Total				153,193	52.3%	

BUSINESS

Notes:

- (1) Including transaction amounts attributable to Intercos Technology (Suzhou Industrial Park) Co., Ltd. (瑩特麗科技(蘇州工業園區)有限公司) and Intercos (Shanghai) Trade Co., Ltd. (瑩特麗(上海)貿易有限公司), both of which are ultimately controlled by the same entity.
- (2) Including transaction amounts attributable to Fengrui Industrial (Huai'an) Co., Ltd. (豐瑞實業(淮安)有限公司), Fuxiang Plastic (Shanghai) Co., Ltd. (富祥塑膠製品(上海)有限公司) and Tengxing Industrial Co., Ltd. (藤興工業有限公司), all of which are ultimately controlled by the same entity.
- (3) Including transaction amounts attributable to Tianjin San Xing Brush Making Co., Ltd. (天津三星製刷有限公司) and Cangzhou San Xing Brush Making Co., Ltd. (滄州三星製刷有限公司), both of which are ultimately controlled by the same entity.

None of our Directors, their associates or any shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital, had any interest in any of our five largest suppliers in each year/period during the Track Record Period.

OUR CUSTOMERS

Our customers primarily comprise individual consumers and corporate customers, which primarily include offline retailers, including a premium multinational beauty retailer, and offline and online distributors. Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB174.2 million, RMB196.7 million, RMB250.2 million and RMB191.2 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, representing 10.9%, 10.7%, 8.8% and 9.7% of our total revenue for the same periods, respectively.

Year ended December 31, 2021

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
1.	Customer A ⁽¹⁾	The customer primarily engages in the online distribution of various types of cosmetics products.	Color cosmetics and skincare products	62,952	4.0%	2019

BUSINESS

Year ended December 31, 2021

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
2.	Customer B	The customer primarily engages in the online distribution of various types of cosmetics products.	Color cosmetics and skincare products	38,584	2.4%	2019
3.	Customer C	The customer is an offline retailer that primarily engages in various types of cosmetics products.	Color cosmetics and skincare products	30,656	1.9%	2020
4.	Customer D	The customer primarily engages in the operation of JD.com brand stores.	Color cosmetics and skincare products	30,575	1.9%	2020
5.	Customer E ⁽²⁾	The customer primarily engages in the operation of Taobao beauty stores.	Color cosmetics and skincare products	11,399	0.7%	2021
			Total	174,166	10.9%	

BUSINESS

Year ended December 31, 2022

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
1.	Customer B	The customer primarily engages in the online distribution of various types of cosmetics products.	Color cosmetics and skincare products	63,653	3.5%	2019
2.	Customer C	The customer is an offline retailer that primarily engages in various types of cosmetics products.	Color cosmetics and skincare products	44,574	2.4%	2020
3.	Customer A	The customer primarily engages in the online distribution of various types of cosmetics products.	Color cosmetics and skincare products	36,097	2.0%	2019
4.	Customer D	The customer primarily engages in the operation of JD.com brand stores.	Color cosmetics and skincare products	35,211	1.9%	2020
5.	Customer F ⁽²⁾	The customer primarily engages in the operation of Taobao beauty stores.	Color cosmetics and skincare products	17,181	0.9%	2022
			Total	196,716	10.7%	

BUSINESS

Year ended December 31, 2023

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
1.	Customer C	The customer is an offline retailer that primarily engages in various types of cosmetics products.	Color cosmetics and skincare products	94,080	3.3%	2020
2.	Customer B	The customer primarily engages in the online distribution of various types of cosmetics products.	Color cosmetics and skincare products	62,403	2.2%	2019
3.	Customer G	The customer primarily engages in the operation of JD.com brand stores.	Color cosmetics and skincare products	40,676	1.4%	2023
4.	Customer H	The customer primarily engages in the operation of online sales of brand discount goods.	Color cosmetics and skincare products	27,665	1.0%	2023
5.	Customer I ⁽¹⁾	The customer primarily engages in the online distribution of various types of cosmetics products.	Color cosmetics and skincare products	25,406	0.9%	2023
			Total	250,230	8.8%	

BUSINESS

The Six Months ended June 30, 2024

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
1.	Customer C ⁽³⁾	The customer is an offline retailer that primarily engages in various types of cosmetics products.	Color cosmetics and skincare products	51,093	2.6%	2020
2.	Customer B	The customer primarily engages in the online distribution of various types of cosmetics products.	Color cosmetics and skincare products	49,514	2.5%	2019
3.	Customer G	The customer primarily engages in the operation of JD.com brand stores.	Color cosmetics and skincare products	43,366	2.2%	2023
4.	Customer H	The customer primarily engages in the operation of online sales of brand discount goods.	Color cosmetics and skincare products	25,202	1.3%	2023
5.	Customer J	The customer primarily engages in the online distribution of various types of cosmetics products.	Color cosmetics and skincare products	22,054	1.1%	2022
			Total	191,229	9.7%	

Notes:

- (1) Customer A is controlled by Customer I. We have denoted them separately as we did not have business dealings with both Customer A and Customer I within the same year/period during the Track Record Period.

BUSINESS

- (2) Customer E and Customer F are ultimately controlled by the same person. We have denoted them separately as we did not have business dealings with both Customer E and Customer F within the same year/period during the Track Record Period.
- (3) Customer C refers to several entities under common control.

None of our Directors, their associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each year/period during the Track Record Period.

OVERLAPPING OF MAJOR CUSTOMER AND SUPPLIER

Customer A and/or Customer I in each of 2021, 2022 and 2023 was also our supplier in the same respective periods. The customer was one of our online distributors and it also provided e-commerce promotional services to us. In each of 2021, 2022 and 2023, (i) our purchases of their services from this supplier-customer amounted to RMB40.2 million, RMB83.9 million and RMB120.7 million, respectively, accounting for 5.3%, 8.7% and 8.5% of our selling and distribution expenses in the same periods, respectively and (ii) our sales to this supplier-customer amounted to RMB63.0 million, RMB36.1 million and RMB25.4 million, respectively, accounting for 4.0%, 2.0% and 0.9% of our total revenue in the same periods, respectively. In addition, in each of 2021, 2022 and 2023, our gross profit of this supplier-customer amounted to RMB53.3 million, RMB30.3 million and RMB21.4 million, respectively, and our gross profit margin of this supplier-customer amounted to 84.7%, 84.0% and 84.1%, respectively. The supplier-customer has ceased to be our customer since 2024, while continued to cooperate with us as our suppliers in the six months ended June 30, 2024 as it strategically redirected its operations to focus solely on e-commerce promotional services since 2024.

Our sales and purchases with this supplier-customer were not inter-conditional with each other. All of our sales to and purchases from this supplier-customer were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis. The terms with this supplier-customer were generally comparable to those with other suppliers and customers. There was no instance of set-off trade receivables from this supplier-customer with trade payables to the company during the Track Record Period. Save as disclosed above, to the best of our knowledge, none of our five largest customers in each year/period during the Track Record Period was a supplier of us.

INTELLECTUAL PROPERTY

We consider intellectual property essential for our continued success. As of the Latest Practicable Date, we maintained a portfolio of 239 registered trademarks, 42 copyrights and 49 patents in Mainland China. See “Appendix VII — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights.”

BUSINESS

We rely on a combination of patent, trademark, copyright and other intellectual property protections laws in the jurisdictions in which we operate, fair trade practices, contractual arrangements and confidentiality procedures to establish and protect our proprietary technologies, know-how and other intellectual property rights. We have entered into confidentiality agreements with our core employees to prevent such employees from disclosing our know-how secrets to others without our proper authorization. Despite our proactive measures, there is still a risk of potential infringement of third-party intellectual property rights or infringement of our own intellectual property rights by third parties. See “Risk Factors — Risks Relating to our Business and Industry — We may not be able to adequately protect our intellectual property rights, and may be subject to intellectual property infringement claims.”

We have a team of employees who collaborates with a third-party service provider specializing in brand protection and experienced in monitoring and addressing counterfeit and infringement issues. We provide detailed instructions for the monitoring process related to our brand, products or industry for the provider to use in tracking counterfeit products. Through collaboration, we effectively monitor the market and identify potential incidents of counterfeiting, imitation and infringement. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any counterfeiting, imitation or infringement incidents that would have a material adverse impact on our business, financial condition or results of operations. Based on the foregoing and considering that (i) mainstream e-commerce platforms have established channels that have enabled us to efficiently handle counterfeit product complaints during the Track Record Period; and (ii) during the Track Record Period and up to the Latest Practicable Date, we had not been aware of any material infringement of our intellectual property rights by third parties, our Directors are of the view that our detection and prevention measures for counterfeit products are adequate.

DATA PRIVACY AND SECURITY

With the prior consent of our customers, we collect and maintain certain customer information during the ordinary course of our business to the extent necessary for the sales and delivery of our products and provision of services. The collected information may encompass customers’ contact information, platform IDs, transaction records, payment information, shipping addresses and loyalty points. The collection of such data facilitates user registration, order processing, membership management, gift card redemption, and other services related to the sale of beauty products. Additionally, to offer tailored makeup artistry services at our Institutes of Makeup Artistry, we may collect specific information such as names, contact numbers, and locations of our customers. We have implemented measures to preserve the confidentiality of such information to ensure regulatory compliance. Specifically, we employ advanced encryption techniques for data storage and transmission, conduct regular audits to identify and mitigate potential security vulnerabilities, and provide comprehensive training to our employees on data privacy and security protocols. Furthermore, we have established stringent access controls and monitoring mechanisms to prevent unauthorized data access and ensure that data handling practices comply with both domestic and international data protection standards.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss or any material unauthorized use of customers' personal information. As advised by our PRC Legal Advisor, we had complied with the applicable laws and regulations with respect to data privacy and personal data protection during the Track Record Period and up to the Latest Practicable Date in all material aspects. Given that legislation and law enforcement in the PRC on data privacy and security are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

LICENSES, PERMITS AND APPROVALS

We are required to obtain various licenses, permits, approvals and certificates for our business. As advised by our PRC Legal Advisor, we had obtained the requisite licenses, permits, approvals and certificates from applicable authorities which are material to our operations, and such licenses, permits, approvals and certificates are valid and subsisting as of the Latest Practicable Date. In particular, we are subject to certain license requirements with respect to the makeup artistry training services offered at our Institutes of Makeup Artistry, see "Regulatory Overview — Regulations Relating to Private Education," which may vary by region pursuant to the local regulatory requirements. As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, our Institutes of Makeup Artistry had obtained the requisite licenses, permits, approvals and certificates under relevant laws, regulations, rules, and requirements of the competent local authorities in all material respects. As advised by our PRC Legal Advisor, there is currently no license requirement in order for the training personnel at our institutes to provide relevant training services.

The following table sets out a list of material licenses, permits, and approvals held by us as of the Latest Practicable Date:

<u>License/Permit</u>	<u>Holder</u>	<u>Expiry date</u>
Special Cosmetics Registration Certificate (特殊化妝品註冊證)	Our Company	February 17, 2028
Special Cosmetics Registration Certificate (特殊化妝品註冊證)	Our Company	July 4, 2026

BUSINESS

EMPLOYEES

As of June 30, 2024, we had 3,725 full-time employees located in China. We also engaged 83 dispatched workers as of June 30, 2024. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, our employment practices for dispatched workers was in compliance with relevant requirements under applicable PRC laws and regulations regarding labor dispatch. The following table sets forth a breakdown of our full-time employees by business function as of the same date:

<u>Business Function</u>	<u>Number of Employees</u>	<u>Percent</u> (%)
Business operation (including beauty advisors) . . .	2,881	77.3
Administration	242	6.5
Training personnel	194	5.2
Back office	157	4.2
Management	140	3.8
Product design and development	58	1.6
Finance	53	1.4
Total	<u>3,725</u>	<u>100.0</u>

Attracting, retaining, and motivating qualified employees is crucial to our success. We utilize various recruitment channels, including professional recruitment websites, campus recruitment, and referrals to attract talents. We are committed to creating a fair and equal working environment for our employees. We endeavor to motivate our employee by providing competitive salaries, comprehensive welfare packages, and merit-based incentive schemes based on their performance.

We offer training for all employees from entry level to management, including induction training programs for new joiners and core staff skills training programs for key personnel in management positions. We also provide specialized training programs tailored to the specific needs of employees in different departments.

We and our subsidiaries have established labor unions that protect employees' rights, help fulfill our and our subsidiaries' economic objectives, encourage employee participation in management decisions and assist in mediating disputes between us and union members. We have maintained a good relationship with our employees and did not have any material labor dispute during the Track Record Period and up to the Latest Practicable Date.

Social Insurance and Housing Provident Funds

As required by the laws and regulations in the PRC, we participate in various employee social security plans that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations, primarily because (i) the applicable PRC laws and regulations governing social insurance and housing provident funds are intricate and vary by region, which added complexity to our compliance efforts; and (ii) certain employees were unwilling to pay the social insurance and housing provident funds in full as it requires additional contributions from our employees. The accumulated shortfall of social insurance and housing provident fund contributions amounted to approximately RMB7.8 million, RMB12.3 million, RMB16.8 million and RMB18.3 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. In 2021, 2022, 2023 and the six months ended June 30, 2024, we made provisions of RMB4.0 million, RMB4.5 million, RMB4.5 million and RMB1.5 million, respectively, in respect of the estimated shortfall amount of the social insurance plans and housing provident fund contributions.

As advised by our PRC Legal Advisor, pursuant to applicable PRC laws and regulations, if an employer fails to make social insurance contributions in full, the relevant authorities could order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. Additionally, pursuant to applicable PRC laws and regulations, if the employer fails to register and establish an account for housing provident fund contributions, the authority could order the employer to correct it within a prescribed time limit, where failure to do so at the expiration of the time limit shall result in a fine of not less than RMB10,000 nor more than RMB50,000 being imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order it to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a court in China for compulsory enforcement.

Our Directors believe that the incident described above would not have a material adverse effect on our business, financial condition and results of operations, considering that during the Track Record Period and up to the Latest Practicable Date, (i) we did not receive any notification from the relevant authorities requiring us to pay for the shortfalls with respect to social insurance and housing provident funds, nor did we receive any material employee complaint or have any disputes with employees concerning their payment of social insurance and housing provident funds; (ii) as confirmed by our PRC Legal Advisor, we were not subject to any administrative penalties with respect to the payment of social insurance and housing provident funds, and we have obtained certain confirmation letters issued by the relevant authorities confirming that no administrative penalty was imposed on us in this regard; and (iii) our Controlling Shareholders have undertaken to, pursuant to the terms and conditions of their

confirmation, indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to comply with relevant laws, rules and regulations concerning social insurance and housing provident fund contributions. In addition, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears. We undertake to make timely payments for the outstanding amount and overdue charges as soon as requested by relevant authorities. Based on the foregoing, our PRC legal advisor is of the view that the risk that we would be required to pay the shortfalls, or be subject to administrative penalties by the competent authorities regarding our contribution to the social insurance and housing provident funds during the Track Record Period is low.

During the Track Record Period, we engaged third-party human resource agencies to pay social insurance and housing provident funds primarily because some of our employees working in different cities across the nation prefer their social insurance and housing provident funds to be paid at their respective resident places for convenience of utilizing such benefits locally. Such arrangement, although not uncommon in China, is not in strict compliance with relevant PRC laws and regulations. As advised by our PRC Legal Advisor, pursuant to applicable PRC laws and regulations, we may be ordered to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts. If the third-party human resources agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure by paying full contributions to social insurance and housing provident funds for our employees.

We have received written confirmations from the third-party human resource agencies confirming that (i) they have paid the social insurance and housing provident funds for relevant employees in accordance with our agreements with them in a timely manner during their service provision; (ii) there have been no disputes between the third-party human resource agencies and us during their service provision; (iii) they have not been subject to any complaints, investigations, administrative penalties, administrative orders, or enforcement judgments in this regard; and (iv) there have been no disputes between the third-party human resource agencies and relevant employees. We have also received written confirmations from the relevant employees confirming that they agreed to the arrangement of having third-party human resource agencies to pay for their social insurance and housing provident funds on behalf of our Company, and that there has been no dispute between them and the third-party human resource agencies or us in respect of employment, social insurance and housing provident funds.

BUSINESS

Our Directors believe that the incident described above would not have a material adverse effect on our business, financial condition and results of operations, considering that during the Track Record Period and up to the Latest Practicable Date: (i) there had been no disputes between the third-party human resource agencies and us during their service provision, nor had there been any disputes between the relevant employees and the third-party human resource agencies and/or us; (ii) neither the third-party human resource agencies nor we had been subject to any complaints, investigations, administrative penalties, administrative orders, or enforcement judgments in this regard; (iii) pursuant to our agreements with third-party human resource agencies, we reserve the right to hold them accountable for any breach of contract should they fail to make timely contributions to social insurance and housing provident funds for the relevant employees; (iv) we undertake to make timely payments for the outstanding amount and overdue charges as soon as requested by relevant authorities; and (v) our Controlling Shareholders have undertaken to, pursuant to the terms and conditions of their confirmation, indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to comply with relevant laws, rules and regulations concerning social insurance and housing provident fund contributions. Based on the foregoing, our PRC Legal Advisor is of the view that the risk of us being subject to administrative penalties due to the above-mentioned arrangements with third-party human resource agencies is low.

To monitor our compliance with relevant laws and regulations in respect of social insurance and housing provident fund contributions, we have taken the following internal control measures:

- we have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident funds on a monthly basis;
- we are in the process of communicating and will continue to communicate with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base for the social insurance and housing provident funds, which also requires additional contributions from our employees; and
- we will consult our PRC legal advisor on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant PRC laws and regulatory developments, including but not limited to PRC laws and regulations in relation to social insurance and housing provident funds, and will provide relevant employees with legal compliance trainings relating to the same.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Being a socially responsible company is an integral part of our business and has been our core value since our inception. We are dedicated to corporate social responsibilities, environmental awareness, and long-term sustainable development and have taken initiatives and practices to promote our values.

Corporate Governance

We have established a robust corporate governance framework for environmental, social and corporate governance (“ESG”) matters. Our Board, with a balanced composition in terms of gender and diverse expertise, has the overall responsibility for our ESG strategy, goals and targets, and disclosures, and oversees ESG matters related to our operations. We have established the ESG Governance Policy. According to the Policy, our office of the Board serves as the management body for our ESG affairs, responsible to (i) establish ESG strategy, goals and targets, and oversee the implementation status and progress of these initiatives; (ii) organize the formulation and updating of the Group’s ESG-related policies and systems; (iii) identify ESG risks and opportunities that are pertinent to our business operations; (iv) review the Group’s ESG-related disclosure information including ESG reports; (v) regularly solicit reports from the ESG working group, and systematically report to our Board with respect to the effectiveness and progress of our ESG initiatives. The specific governance framework and responsibilities of each level are detailed in our ESG Governance Policy.

Board Diversity Policy

We have adopted a board diversity policy which sets out the approach to achieving and maintaining diversity in our Board. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. In particular, we currently have five male and four female Directors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

ESG-related Risks

In terms of chemical safety, we have implemented comprehensive measures covering both the R&D and production phases to ensure the safety of chemicals use. While striving for product excellence, we prioritize safeguarding the health and safety of every consumer. During the product R&D phase, we meticulously evaluate product formulations, strictly excluding any ingredients prohibited by laws and regulations in mainland China, and proactively reducing or replacing controversial or risky components. In the production phase, we have established a robust management system for OEM/ODM chemical usage and safety, integrating daily supervision with annual audits. This system perfects the chemical safety management regulations and verifies their implementation, covering the entire process from raw material selection to finished product delivery, thereby effectively ensuring the safe use of chemicals in production.

BUSINESS

We have identified the following ESG risks that we consider significant and potentially impactful on our business, strategy, or financial performance:

Addressing Climate Change: Floods, typhoons, storms, and other extreme weather conditions, as well as natural disasters, may result in price fluctuations of raw materials, supply disruptions, and physical damage to our warehouses and offices, posing safety risks to our employees. Furthermore, against the backdrop of China’s goals for carbon peaking and carbon neutrality, we may incur additional costs in purchasing renewable energy, replacing non-biodegradable packaging, promoting sustainable procurement, and participating in the development of low-carbon products. We will proactively identify potential physical risks and transition risks related to climate change in our business operations and incorporate them into our business strategy to better manage these risks.

Greenhouse gas (“GHG”) emission is one of the key indicators for us to monitor climate-related risks. As we manage the GHG emissions arising from our own operations, we are progressively engaging in data collection and collaborating with our partners for Scope 3 emissions management and reduction. Our Scope 3 emissions primarily encompass those emanating from purchased goods and services, as well as transportation and distribution activities. In the future, we intend to integrate GHG management performance into our supplier selection and evaluation criteria. For existing suppliers, we plan to commence with key OEM/ODM partners and gradually establish a comprehensive GHG emissions data collection system that encompasses all suppliers. Additionally, we will actively engage with suppliers on GHG reduction efforts, enhancing their awareness of GHG mitigation and further decreasing Scope 3 GHG emissions.

Supply Chain Management: Ensuring the effectiveness of procurement and supply chain management is crucial for maintaining the reliability of our product quality and sustainable development. Failure to select high-quality third-party suppliers or to adequately oversee, audit, and manage various parties within the supply chain could expose us to significant risks, including suppliers’ non-compliance with applicable laws, regulations, and ethical standards. Such risks have the potential to undermine our competitiveness and tarnish our reputation. To mitigate ESG risks in our supply chain, we have implemented a sustainable procurement policy. Our Board, along with its office, and the supplier management department, each plays a vital role in reviewing, identifying, and reducing ESG risks throughout the supply chain. The primary ESG risks we have identified related to the supply chain are compliant operations, energy management, packaging material management, and quality control.

Environmental Protection

We endeavor to minimize any adverse impact on the environment resulting from our business activities to create a healthy and safe environment for our employees and communities. Our current operations do not involve product manufacturing or any material waste gas or wastewater discharge. For the production base that was under construction as of the Latest Practicable Date, we have developed a comprehensive set of mechanisms to ensure that the construction of our production base is in compliant with relevant environmental laws and regulations. Our production facilities have completed the requisite environmental impact assessments at the initial construction stage and have established the relevant environmental protection equipment and passed the assessment conducted by independent third-party agencies before we proceed to mass production.

For the production base, we designed buildings and maintenance structures following a set of principles and standards in terms of energy efficiency, environmental protection, space use and functionality in terms of building's spatial layout, light and wind environment, energy-saving design for maintenance structures, and energy-saving measures for heating, ventilation and air conditioning, water supply and drainage, and electrical. We have also formulated an environmental management policy to manage our emissions. The following set forth our measures to mitigate emissions by the production base and improve the energy saving efficiency:

- ***Improving Utilization of Resources:*** we deliberately designed the building to improve the utilization of space, avoid ineffective space, and fully consider the natural conditions. For example, rooms that require sunlight and ventilation should be arranged in a suitable location, and rooms with noise and pollution sources should be kept away from quiet areas and protective measures should be taken.
- ***Prioritizing Natural Light and Wind Environment:*** we designed the base to make maximum use of natural lighting and avoid light pollution. The design of the building facade should consider the problem of no reflection, and the indoor lighting should meet the national standards. In addition, natural ventilation should be prioritized, unilateral ventilation should be avoided, and external windows should be reasonably designed to improve ventilation efficiency.
- ***Saving Energy for Maintenance Structure:*** we plan to insulate thermal bridge parts and use high-efficiency insulation materials. At the same time, we considered material conservation and construction safety in designing the building and optimized the structure to reduce the number of materials to be consumed.
- ***Taking Energy-Saving Measures for Heating, Ventilation and Air Conditioning:*** we planned to use low-noise environmental equipment, high-efficiency fans in the ventilation system, and spring isolators under the air-conditioning units to reduce vibration. In addition, our water supply and drainage systems are constructed to adopt water-saving equipment and adjust the water pump through the automatic control system to optimize the consumption thereof.
- ***Managing the Electricity System to Improve Efficiency:*** we designed the electricity system to include the placement of substations close to the load center to reduce losses, the rational determination of transformer capacity and distribution methods, and the use of power factor compensation and harmonic suppression measures to improve the quality of the grid. In addition, the lighting was designed to use high-efficiency light sources and achieve optimal operation of the mechanical and electrical equipment through the building equipment monitoring and management system.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any fines or other penalties due to non-compliance with health and safety or environmental regulations.

Metrics and Targets

We do not directly engage in any manufacturing activities; therefore, we do not generate significant emissions, product packaging materials, or waste, nor do we cause severe pollution. Nevertheless, we monitor the following indicators to oversee and manage environmental and climate-related risks that may affect our business, strategy, and financial performance:

- **Energy Consumption⁽¹⁾:** We regularly monitor our energy consumption levels and takes measures to improve energy efficiency. In 2021, 2022, 2023, and the six months ended June 30, 2024, our total energy consumption was approximately 1,613.40, 1,390.66, 1,717.10, and 1,037.17 megawatt-hours, respectively.
- **Greenhouse Gas Emissions⁽²⁾:** We regularly monitor our carbon emissions within the scope of its operations. In 2021, 2022, 2023, and the six months ended June 30, 2024, our total operational carbon emissions (Scope 1 & Scope 2) were approximately 784.44, 702.50, 838.46, and 550.36 tons of carbon dioxide equivalent, respectively.

Based on the current business operations, historical data, and industry practices, we have formulated our ESG-related targets:

- **Energy Consumption:** Taking 2022 as the base year, we aim to reduce energy consumption intensity by 5% over the next five years.
- **Greenhouse Gas Emissions:** Taking 2022 as the base year, we aim to reduce our operational (Scope 1 & Scope 2) carbon emission intensity by 5% over the next five years.
- **Waste Management:** Ensure compliant disposal of general and hazardous waste generated from our operations in all material aspects.

Notes:

⁽¹⁾ Energy consumption is calculated according to the General Rules for Calculation of Comprehensive Energy Consumption in China (GB/T 2589-2020).

⁽²⁾ Scope 1 & Scope 2 greenhouse gas emissions are calculated based on the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Other Industrial Enterprises (Trial) published by the National Development and Reform Commission of China. We have analyzed Scope 3 greenhouse gas emissions, and at this stage, our product manufacturing is handled by OEM/ODM suppliers, which account for our primary Scope 3 emissions. We have conducted a carbon emission data survey of our major OEM/ODM suppliers and encouraged them to reduce their carbon emissions through the use of renewable energy and other methods, thereby reducing our Scope 3 emissions.

After the commissioning of our own manufacturing facility, we will re-examine and update our ESG-related targets related to energy consumption, greenhouse gas emissions, waste management, and packaging material management. We will also manage the financial and non-financial impacts of ESG risks on our production operations through regular reviews of the progress in achieving these targets.

Social Responsibility

We are committed to promoting corporate social responsibility and sustainable development. We seek to integrate these core values into our business operation by adopting and implementing various policies in relation to social responsibilities. We believe that our continued growth rests on integrating social values into our business and serving the community at large. Our achievements and initiatives in social responsibility mainly include the following:

Caring for Children of the Stars. Our founder, Mr. Mao, has demonstrated a longstanding commitment to supporting children with autism, a group often referred to as “children of the stars.” In 2022, Mr. Mao contributed to a foundation caring for autism by purchasing an auctioned painting by a child with autism. In 2023, our Company drew inspiration from this painting for the packaging design of our public welfare hand cream products, aiming to raise the public awareness about autism by showcasing the talents of these children. We donated a portion of the proceeds from the sale of our products to the Foundation to ensure continued support for their autism-related charitable projects. The following pictures set forth the original painting by the child and the packaging of our hand cream products designed in its likeness:



Occupational Health and Safety. We emphasize the importance of occupational health and safety of our employees. For example, during the COVID-19 pandemic, we strictly observed the governmental hygiene requirement and regulations to resume work safely and purchased protective items such as masks, gloves and detergents for our employees. Through these measures, we strive to uphold the highest standards of occupational health and safety.

COMPETITION

We operate in China's beauty industry. Beauty products refer to cosmetics that can improve the condition of the skin and emphasize or alter the appearance of the face or body, mainly including skincare products and color cosmetics products. The industry in which we operate is highly competitive. According to Frost & Sullivan, the premium beauty industry in China is relatively concentrated, with the top five brands occupying a total market share of 32.1% in terms of retail sales and all of them are international beauty brands. According to Frost & Sullivan, MAOGEPING was the only domestic brand among the top 15 premium beauty brands in China, ranking 12th by retail sales in 2023 with a market share of 1.8%.

We mainly compete with a number of domestic and international brands in the cosmetics industry in China. Some of our competitors may have better financial, technical or marketing resources, have a more established commercialization and operating history, and enjoy greater brand recognition, market share and customer base. See "Risk Factors — Risks Relating to Our Business and Industry — We face intense competition from other premium beauty brands in China's premium beauty industry." We believe that with our strategic positioning, robust product design and development capabilities, and dynamic sales network, we are well-positioned in the industry to capture the rapidly growing market opportunities, attract and maintain consumers and increase our market share. See "Industry Overview."

RISK MANAGEMENT AND INTERNAL CONTROL

We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted, among other things, the following risk management measures:

- established an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see "Directors, Supervisors and Senior Management — Board Committees — Audit Committee;"
- adopted policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- organized training sessions for our Directors, supervisors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

BUSINESS

- established a set of emergency procedures in the event of major quality-related issues;
- adopted internal control policies with regard to the monitoring of KOL-related contents of our brands and products;
- provided enhanced training programs on quality assurance and product safety procedures; and
- distributed employee handbooks to enhance employees' awareness of complying with laws and regulations.

INSURANCE

We maintain insurance coverage in place for our daily operations. Our principal insurance policies primarily include social security for our employees, public liability insurance and insurance for all risks of properties. We believe that we have adequately covered major risks in the jurisdictions in which we operate, and we follow general market practices by not maintaining certain policies that are not available or required by law in those jurisdictions. See “Risk Factors — Risks Relating to our Business and Industry — Our insurance coverage may be inadequate to protect us from the liabilities we may incur or cover all of our potential losses.”

We believe that our insurance coverage is deemed sufficient for our business and aligns with industry standards and market practice. During the Track Record Period, we did not have any significant insurance claims related to our business.

PROPERTIES

Our headquarters office is located in Hangzhou, China. We own and lease properties in China. According to Rule 5.01A of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is subject to the requirements of section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include a valuation report with respect to all of our Group's interests in land or buildings, as we had a single property interest with a carrying amount of 15% or more of our consolidated total assets as of the Latest Practicable Date. For details of the property valuation report pursuant to Rule 5.01A of the Listing Rules, see “Appendix III — Valuation Report.”

BUSINESS

Owned Properties

As of the Latest Practicable Date, we owned 17 properties in China with an aggregate gross floor area of approximately 5,175.50 sq.m., which were primarily used for offices, and training institute. As of the Latest Practicable Date, we had obtained the land use right certificates for all of our owned properties.

We have obtained a parcel of land from the local government authority, for which we have obtained the land use right certificate and were in the progress of constructing headquarters as of the Latest Practicable Date. For this parcel of land, we also entered into an investment and development agreement with the local governmental authority in January 2024, pursuant to which we agreed to use this parcel of land for the construction of our headquarters and to commence within six months from the actual transfer of the land and complete construction within 42 months from the actual transfer of the land. We are required to fulfill certain requirements within five years of entering into the investment and development agreement. These primarily include (i) a total project investment of no less than RMB1.0 billion, (ii) annual project revenue of no less than RMB2.0 billion, (iii) annual project income tax of no less than RMB400.0 million (with an evaluation period of five years from 2024 to 2028, whereas the income tax can be calculated cumulatively within the evaluation period), (iv) share capital of no less than RMB500.0 million for our subsidiary that entered into the agreement, (v) construction and installation costs of no less than RMB400.0 million, and (vi) annual project R&D expenses of no less than RMB5.0 million. For the purposes of this agreement, the term “project” refers to our Company and all our subsidiaries incorporated in the Shangcheng District of Hangzhou, China. We have considered these requirements in acquiring the land and do not anticipate significant obstacles in meeting them. In the unlikely event that we are unable to meet these requirements due to our fault, we may be required to rectify the situation within a rectification period of one year or pay a late fee or a penalty equivalent to 20% of the total land transfer price of RMB592.7 million if we failed to rectify within the rectification period. In such cases, the local governmental authority reserves the right to terminate the investment and development agreement. For relevant risks, see “Risk Factors — Risks Relating to Our Business and Industry — We are subject to certain risks in relation to our properties.”

Leased Properties

As of the Latest Practicable Date, we leased 109 properties in China with an aggregate gross floor area of approximately 30,906.27 sq.m., which were primarily used for self-operated counters, offices, warehouses and employee dormitories. The leases generally have a term ranging from one to ten years.

As of the Latest Practicable Date, lessors of nine leased properties (with an aggregate GFA of approximately 3,457.00 sq.m., representing approximately 11.19% of our total leased GFA) did not provide valid title certificates. Our PRC Legal Advisor is of the view that the risk of any administrative penalties with respect to these properties is remote, but our leases may be affected if the lessors of the leased properties do not have the requisite rights to lease the

BUSINESS

relevant properties. However, where a dispute arises on the said leases, or we suffer a loss as a result of operating under the said leases, we have a right to request a reduction in lease expenses or refuse to pay lease expenses or require the lessor to indemnify such losses under the lease agreements.

Our Directors believe that the likelihood of our business and results of operations being materially and adversely affected by these title defects is remote, considering that (i) the GFA of these leased properties constitutes a relatively small percentage of our overall leased properties. Out of the abovementioned 109 leased properties, nine properties are used as self-operated counters, offices and employee dormitories, representing approximately 11.19% of the total leased GFA; (ii) as of the Latest Practicable Date, we have not been required to cease operations due to the lessors' right to lease being challenged by a third-party rights holder; (iii) it is unlikely that we would be subject to claims of rights from third parties with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and are leased from different counterparties; and (iv) we are able to identify a replacement premise and relocate without incurring significant relocation cost, considering the purposes and floor area of such leased properties. In the unlikely event that we are required to relocate, we estimate the aggregate relocation cost to be approximately RMB0.6 million, which we believe will not have any material adverse impact on our business operations.

As of the Latest Practicable Date, 94 lease agreements had not been registered with relevant authorities. As the registration of a lease agreement requires the cooperation between the lessor and lessee and lessors are typically unwilling to undertake the administrative burden due to the low risk of penalty, we were not able to complete the registration of lease agreements mentioned above. We have adopted internal policies that (i) request our employees to proactively coordinate with lessors to complete the registration for all of our lease agreements and (ii) require our employees to complete the registration of lease agreements in instances in which lessors are willing to cooperate in such procedures.

As advised by our PRC Legal Advisor, the non-registration of lease agreements will not affect the validity of the lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making registration for each of these lease agreements. The aggregate amount of maximum fine will be approximately RMB0.94 million, which our Directors believe will not have any material adverse impact on our business operations.

As of the Latest Practicable Date, in relation to these 94 leased properties, we have not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. In addition, we have been more stringent in terms of requiring our lessors to cooperate with us in registering our lease agreements with the relevant housing administrative authorities.

BUSINESS

Having considered the foregoing, our Directors believe that the abovementioned incident does not constitute material nor systemic non-compliance of our Group, and the non-registration of lease agreements described above will not, individually or in the aggregate, materially affect our business and results of operation. For risks relating to our leased properties, see “Risk Factors — Risks Relating to our Business and Industry — We are subject to certain risks in relation to our properties.”

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the Track Record Period and up to the Latest Practicable Date.

CONNECTED TRANSACTIONS

Upon Listing, certain transactions between our Group and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Our Company has entered into agreements with the following connected persons, the transactions contemplated under such agreements will constitute our continuing connected transactions upon Listing:

Name of our connected persons	Connected relationship
Mr. Mao	Mr. Mao is our founder, chairman of the Board, an executive Director and one of the Controlling Shareholders. Therefore, Mr. Mao is a connected person of our Company.
Hangzhou Shangdu Technology Co., Ltd. (杭州尚都科技有限公司) ("Shangdu Technology") . .	As of the Latest Practicable Date, Shangdu Technology was held by Ms. Wang and Mr. WANG Lihua, as to 80% and 20%. Ms. Wang is an executive Director, vice chairperson of the Board and one of the Controlling Shareholders, and Mr. WANG Lihua is an executive Director. Therefore, Shangdu Technology is a connected person of our Company.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

We entered into the following transactions with the above-mentioned connected persons that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon Listing:

Nature of transaction	Counterparty	Applicable Listing Rules	Waiver sought
Fully-exempt continuing connected transaction			
Name and Portrait Rights Licensing Framework Agreement	Mr. Mao	14A.76	N/A
Non-exempt continuing connected transaction (subject to annual reporting, announcement and annual review requirements)			
Property Leasing Framework Agreement . .	Shangdu Technology (for itself and on behalf of its associates)	14A.35, 14A.49, 14A.71, 14A.105	Requirement as to announcement

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

We set out below a summary of the continuing connected transaction of our Company, which is fully exempt from all of the reporting, announcement, circular and independent Shareholders' approval, and annual review requirements under Chapter 14A of the Listing Rules.

Name and Portrait Rights Licensing Framework Agreement

We have been using Mr. Mao's name and portraits in our ordinary and usual course of business, which enable us to leverage on the popularity and reputation of Mr. Mao and to promote our sales of products and services. It is expected that such use of Mr. Mao's name and portraits will continue after Listing, which will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. On November 25, 2024, we entered into a name and portrait rights licensing framework agreement with Mr. Mao (the "**Name and Portrait Rights Licensing Framework Agreement**"), pursuant to which Mr. Mao has agreed to grant to the Group exclusive and non-transferrable licenses for the Group's use of his name and portrait rights ("**Licensed Rights**") for an annual licensing fee of HK\$2.98 million. The licensing fee has been determined after arm's length negotiations between our Company and Mr. Mao, and we believe it is fair and reasonable to our Company considering the industry recognition and influence of Mr. Mao and the intended use of the Licensed Rights. The initial term of the Name and Portrait Rights Licensing Framework Agreement will commence on the Listing Date and end on December 31, 2026, subject to renewal through mutual consent by the parties and compliance with the Listing Rules. The Group will use the Licensed Rights within the scope specified in the Name and Portrait Rights Licensing Framework Agreement.

As all applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions contemplated under the Name and Portrait Rights Licensing Framework Agreement are below 5% and the annual licensing fee for each of the three years ending December 31, 2026 is less than HK\$3 million, the transactions under the Name and Portrait Rights Licensing Framework Agreement constitute *de minimis* transactions and are fully exempt from the annual reporting, announcement, circular and independent Shareholders' approval, and annual review requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into the following transaction which, as our Directors currently expect, the highest applicable percentage ratio (other than the profits ratio) is expected to exceed 0.1%, but all applicable percentage ratios are less than 5%, on an annual basis. Such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Property Leasing Framework Agreement

Principal terms

On November 26, 2024, our Company (for itself and on behalf of its subsidiaries) entered into a property leasing framework agreement with Shangdu Technology (for itself and on behalf of its associates) (the “**Property Leasing Framework Agreement**”), pursuant to which we will lease certain properties located in Hangzhou with certain services from Shangdu Technology and/or its associates for office or business use.

The initial term of the Property Leasing Framework Agreement will commence on the Listing Date and end on December 31, 2026, subject to renewal through mutual consent by the parties and compliance with the Listing Rules.

The parties will enter into separate agreements setting out the specific terms and conditions (including gross floor area of the property, property rents, payment methods and other usage fees) in respect of the relevant leased property based on the principles, and within the parameters provided, under the Property Leasing Framework Agreement.

Reasons for the transaction

We have historically leased certain properties from Shangdu Technology. Such properties offer easy access to transportation and essential amenities, and are considered suitable for our operational demands. Compared with Independent Third Parties, Shangdu Technology and/or its associates have a better understanding of our property requirements in relation to office and business premises, and leasing properties from Shangdu Technology and/or its associates also facilitates our business cooperation with Shangdu Technology and/or its associates geographically. In addition, as the properties are leased from Shangdu Technology at a comparable rent, relocating our offices and business premises to other premises in the vicinity will not provide significant economic benefits, and will instead cause unnecessary disruptions to our normal business operation and incur unnecessary costs. We consider that the Property Leasing Framework Agreement can safeguard our entitlement to long-term rental occupancy, thereby enabling us to achieve long-term development and continuity of our business operations.

Pricing policies

The monthly rents payable by us during the leasing term are determined on normal commercial terms after arm’s length negotiations between the relevant parties, and the rents shall be in line with or no more than the prevailing market rates of properties of comparable size and quality situated in the same locality available to or offered by Independent Third Parties, which are in the best interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Historical amounts

The total amounts of rents paid by us to Shangdu Technology and/or its associates for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 were approximately RMB3.6 million, RMB3.7 million, RMB4.4 million and RMB2.5 million, respectively.

Pursuant to HKFRS 16, the Group, as the lessee, shall recognize lease as a right-of-use asset in the consolidated statement of financial position of the Group. The total value of right-of-use assets relating to the existing leases as at December 31, 2021, December 31, 2022, December 31, 2023 and June 30, 2024 was RMB10.7 million, RMB7.7 million, RMB3.5 million and RMB2.1 million, respectively. The downward trend of the value of the right-of-use assets relating to the existing leases for the three years ended December 31, 2023 was mainly due to the depreciation of right-of-use assets on a yearly basis.

Annual caps and basis of caps

The maximum aggregate annual amounts of the rents payable by us to Shangdu Technology and/or its associates under the Property Leasing Framework Agreement for each of the three years ending December 31, 2026 are not expected to exceed RMB6.0 million, RMB6.0 million and RMB6.0 million, respectively.

As the lease of properties by us as lessee under the Property Leasing Framework Agreement will be recognized as right-of-use assets, the annual caps for the value of right-of-use assets in relation to our lease of properties from Shangdu Technology and/or its associates under the Property Leasing Framework Agreement for each of the three years ending December 31, 2026 are not expected to exceed RMB17.1 million, RMB11.4 million and RMB5.7 million, respectively.

The above annual caps were determined based on the following factors:

- (i) the historical transaction amounts and historical trend of the annual rents paid by our Group to Shangdu Technology and/or its associates for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 under the existing properties leasing arrangements between the parties. Based on the Group's current demand of properties and assuming the scope of the properties to be leased from Shangdu Technology and/or its associates is not expected to have material changes, the downward trend of the proposed annual caps for the value of the right-of-use assets relating to the expected leases under the Property Leasing Framework Agreement for the three years ending December 31, 2026 mainly takes into account the depreciation of right-of-use assets on a yearly basis;
- (ii) the geographical locations of the leased properties and the prevailing rents in similar locations for properties of comparable size and quality; and

CONNECTED TRANSACTIONS

- (iii) the estimated demand of the properties by our Group for the three years ending December 31, 2026, which is expected to increase as compared to that for 2023 in line with our revenue growth, for our continuing use of the properties for the long-term development of our business.

Listing Rules implications

In respect of the transaction as described above under the Property Leasing Framework Agreement, the highest applicable percentage ratio (other than profits ratio) is expected to exceed 0.1%, but all applicable percentage ratios are less than 5%, on an annual basis. Such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

As the above non-exempt continuing connected transaction is expected to continue on a recurring and continuing basis and have been fully disclosed in this prospectus, our Directors consider that strict compliance with the aforesaid announcement requirement would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the continuing connected transaction under the Property Leasing Framework Agreement, provided that the aggregate transaction amounts for each of the three years ending December 31, 2026 will not exceed the relevant amounts set forth in the respective annual caps (as stated above).

Apart from the announcement requirement from which a waiver is sought, the Company will comply with the applicable requirements under Chapter 14A of the Rules. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transaction referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONNECTED TRANSACTIONS

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions under the Property Leasing Framework Agreement (including the annual caps for the three years ending December 31, 2026) have been, and will continue to be, carried out in the ordinary and usual course of business of our Group and are on normal commercial terms, fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has (i) reviewed the relevant documents and information provided by the Company in relation to the non-exempt continuing connected transactions under the Property Leasing Framework Agreement and (ii) participated in the due diligence and discussions with the management of the Group.

Based on the aforementioned and the Directors' view above, the Sole Sponsor is of the view that (i) the aforesaid non-exempt continuing connected transactions under the Property Leasing Framework Agreement, for which waiver has been sought, have been entered into in the ordinary and usual course of the Group's business on normal commercial terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed annual caps of the non-exempt continuing connected transactions under the Property Leasing Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- we have approved and adopted internal procedures and internal guidelines, which provide that, among others, if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules. The Board and other internal departments of our Company will be jointly responsible for evaluating the terms under the framework agreements for our Group's continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;

CONNECTED TRANSACTIONS

- our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transaction entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transaction has been entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and is in accordance with the agreement governing it on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transaction has not been approved by the Board, is not in accordance with the pricing policies of our Group in all material respects, is not entered into in accordance with the relevant agreement governing the transactions in all material respects or has exceeded the cap;
- when considering the fees and amounts payable by our Group in respect of transactions, services or licenses provided by our connected persons, we will regularly review and consider the prevailing market conditions and practices, and make reference to the pricing and terms between us and independent third parties for comparable services or similar transactions (if available), to make sure that the terms and conditions offered by/to our connected persons based on commercial negotiations are fair and reasonable and are based on normal commercial terms or no less favorable terms to our Group; and
- when considering any renewal or revision to the agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board of Directors consists of nine Directors, including six executive Directors and three independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of our Group, determining the annual financial budgets and final accounts of our Group, determining the fundamental management systems of our Group, formulating profit distribution plans and loss recovery plans of our Group, and exercising other powers and functions as conferred by the Articles of Association.

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Time of joining our Group	Date of appointment as a Director*	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Executive Directors						
Mr. MAO Geping (毛戈平)	60	Founder, chairman of the Board and executive Director	July 2000	December 16, 2015	Providing leadership and governance of the Board, and responsible for the overall business strategies and management of our Group	Spouse of Ms. Wang; brother of Ms. MAO Niping and Ms. MAO Huiping
Ms. WANG Liqun (汪立群)	53	Executive Director and vice chairperson of the Board	October 2000	December 16, 2015	Responsible for assisting the chairman of the Board with the training institute business, operational development and daily business management of the Group	Spouse of Mr. Mao; and sister of Mr. WANG Lihua

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Time of joining our Group	Date of appointment as a Director*	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. MAO Niping (毛霓萍)	64	Executive Director, vice chairperson of the Board and senior vice president	July 2000	December 16, 2015	Responsible for assisting the chairman of the Board with the daily governance of the Board and the business management of the Group, and the daily operation and brand management of Love Keeps	Sister of Mr. Mao and Ms. MAO Huiping
Ms. MAO Huiping (毛慧萍)	62	Executive Director and senior vice president	July 2000	December 16, 2015	Responsible for assisting the chairman of the Board with the daily governance of the Board and the overall business management of the Group, and the daily operation and management of Mao Geping Technology	Sister of Mr. Mao and Ms. MAO Niping
Mr. WANG Lihua (汪立華)	51	Executive Director and vice president	September 2002	December 16, 2015	Responsible for the formulation and implementation of the business strategies of makeup artistry training programs of training institutes	Brother of Ms. Wang
Ms. SONG Hongquan (宋虹隼)	50	Executive Director, president of our Company and general manager of “MAOGEPING” branding division	October 2002	December 16, 2015	Responsible for overall marketing and brand management of MAOGEPING, and participating in major business decisions and management of the Group	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Time of joining our Group	Date of appointment as a Director*	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Independent Non-executive Directors						
Mr. GU Jiong (顧炯)	52	Independent non-executive Director	April 2024	April 1, 2024	Providing independent opinion and judgment to the Board	None
Mr. HUANG Hui (黃輝)	48	Independent non-executive Director	April 2024	April 1, 2024	Providing independent opinion and judgment to the Board	None
Mr. LI Hailong (李海龍) . . .	44	Independent non-executive Director	May 2022	May 13, 2022	Providing independent opinion and judgment to the Board	None

Our Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board and overseeing the financial and business performance of our Group.

The following table sets out information in respect of the Supervisors.

Name	Age	Position(s)	Time of joining our Group	Date of appointment as a Supervisor*	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. GAO Yan (高妍)	45	Chairperson of the Supervisory Committee	September 2012	December 29, 2018	Overseeing the operations and financial activities of our Group	None
Mr. YANG Weiqing (羊偉青) . . .	34	Supervisor	May 2012	October 9, 2020	Overseeing the operations and financial activities of our Group	None
Ms. WU Meijuan (吳美娟) . . .	45	Supervisor	September 2000	December 16, 2015	Overseeing the operations and financial activities of our Group	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table provides information about members of our senior management:

Name	Age	Position	Time of joining our Group	Date of appointment as a senior management*	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. MAO Geping (毛戈平) . . .	60	Founder, chairman of the Board and executive Director	July 2000	December 16, 2015	Providing leadership and governance of the Board, and responsible for the overall business strategies and management of our Group	Spouse of Ms. Wang; brother of Ms. MAO Niping and Ms. MAO Huiping
Ms. MAO Niping (毛霓萍) . . .	64	Executive Director, vice chairperson of the Board and senior vice president	July 2000	December 16, 2015	Responsible for assisting the chairman of the Board with the daily governance of the Board and the business management of the Group, and the daily operation and brand management of Love Keeps	Sister of Mr. Mao and Ms. MAO Huiping
Ms. MAO Huiping (毛慧萍) . . .	62	Executive Director and senior vice president	July 2000	December 16, 2015	Responsible for assisting the chairman of the Board with the daily governance of the Board and the overall business management of the Group, and the daily operation and management of Mao Geping Technology	Sister of Mr. Mao and Ms. MAO Niping
Mr. WANG Lihua (汪立華) . . .	51	Executive Director and vice president	September 2002	December 16, 2015	Responsible for the formulation and implementation of the business strategies of makeup artistry training programs of training institutes	Brother of Ms. Wang

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Time of joining our Group	Date of appointment as a senior management*	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. SONG Hongquan (宋虹全) . . .	50	Executive Director, president of our Company and general manager of “MAOGEPING” branding division	October 2002	December 16, 2015	Responsible for overall marketing and brand management of MAOGEPING, and participating in major business decisions and management of the Group	None
Mr. XU Weiguo (徐衛國) . . .	48	Finance director	April 2011	December 16, 2015	Responsible for the financial planning and management of our Group	None
Mr. DONG Leqin (董樂勤) . . .	41	Secretary of the Board, head of legal department and joint company secretary	December 2014	December 16, 2015	Overseeing the overall legal affairs of our Group, ensuring compliance with governance requirements, and maintaining accurate records for the Board	None

*Note: For the avoidance of doubt, the dates of the appointment as a Director, a Supervisor or the senior management of our Company refer to the appointment of the relevant positions in our Company after its conversion into a joint stock company with limited liability in December 2015. For the details of the conversion, see “History, Development and Corporate Structure — Major Shareholding Changes of our Company — Conversion into a joint stock company with limited liability in December 2015.”

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. MAO Geping (毛戈平) (former name 毛革平), aged 60, is our founder, chairman of the Board and an executive Director.

Prior to founding our Group, Mr. Mao worked at the Zhejiang Yue Opera Troupe from July 1983 to July 1998. In July 2000, he founded Hangzhou Mao Geping, the predecessor of our Company, and established a high-end beauty brand, MAOGEPING, under his own name and has served in Hangzhou Mao Geping since then. In October 2000, Mr. Mao established the Zhejiang Mao Geping Institute of Makeup Artistry. He acted as the president of Hangzhou Mao Geping and our Company successively from February 2011 to March 2024. He was appointed as a director of Hangzhou Mao Geping on March 20, 2005, and a Director of our Company on December 16, 2015 and was re-designated as an executive Director on April 1, 2024. Mr. Mao is also the chairman of the board of directors of Zhejiang Huidu.

Mr. Mao is a renowned makeup art master in China with more than 30 years of experience in the field of makeup art, and has received numerous honors and awards over the years. He was awarded the “Makeup and Styling Golden Statue Award” from the Makeup Committee of the China Society of Motion Picture and Television Engineers for four times. In August 2008 during the Beijing Olympic Games, Mr. Mao served as the makeup artist for the then President of the International Olympic Committee and as the makeup designer for the opening ceremony of the Beijing Olympic Games. In November 2008, he received the “Special Contribution Award for the 2008 Beijing Olympics” from the Makeup Committee of the China Film Technology Society. In September 2020, he was awarded the title of “Hangzhou Craftsman” by the Hangzhou Municipal People’s Government. In November 2023, he received the “22nd Outstanding Entrepreneur of Zhejiang Province” award from the Zhejiang Enterprise Federation and the Zhejiang Entrepreneurs Association. In September 2023, Mr. Mao was a torchbearer for the 19th Asian Games in Hangzhou.

Mr. Mao completed a vocational secondary education course in Chinese Opera Performance at Zhejiang Vocational Academy of Art (formerly known as Zhejiang School of Art) in July 1983 in the PRC. He obtained the Level One Artistic Image Design Certificate from the Cultural and Artistic Talent Center of the Ministry of Culture in March 2001, and also holds the qualification of senior professional and technical director stage technician issued by the Zhejiang Provincial Department of Human Resources.

Ms. WANG Liqun (汪立群), aged 53, is an executive Director, the vice chairperson of the Board and the co-founder of Zhejiang Mao Geping Institute of Makeup Artistry.

Prior to joining our Group, Ms. Wang was an actress at the Zhejiang Yue Opera Troupe from October 1991 to September 2000. In 2000, Ms. Wang assisted Mr. Mao to establish Zhejiang Mao Geping Institute of Makeup Artistry. From September 2000 to August 2010, she held the position of executive principal at the Zhejiang Mao Geping Institute of Makeup

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Artistry. Ms. Wang was appointed as a director of Hangzhou Mao Geping on February 13, 2011, a Director and the vice chairperson of the Board on December 16, 2015 and was re-designated as an executive Director on April 1, 2024. She has served as the general manager of Mao Geping Image Design since August 2010.

Ms. Wang was honored with the “United Nations 2018 Global Business Excellence Contribution Female Entrepreneur” award at the 62nd session of the United Nations Commission on the Status of Women in March 2018. In May 2019, she was awarded the “Outstanding Leadership Award” by the Hangzhou Women Entrepreneurs Association. In December 2020, Ms. Wang was awarded the “Advanced Individual for Donations in Fighting the Epidemic and Poverty Alleviation in 2020” by the Hangzhou Cixi Chamber of Commerce. In October 2023, she was honored as a torchbearer for the 4th Hangzhou Asian Para Games.

Ms. Wang completed the business enterprise management program at International Business University of Beijing in the PRC, in July 2001. In December 2003, she received the Level Three/Senior Vocational Qualification Certificate (Makeup Artist) from the Hangzhou Bureau of Labor and Social Security. She obtained a Level One/Senior Vocational Qualification Certificate (Beautician) from the Zhejiang Provincial Department of Human Resources and Social Security in December 2006. In February 2007, she was granted a Training Teacher Qualification Certificate by the Zhejiang Provincial Department of Human Resources and Social Security. In December 2012, she received a Level Three/Senior Vocational Qualification Certificate (Image Designer) from the Zhejiang Provincial Department of Human Resources and Social Security. In November 2018, Ms. Wang obtained a Referee Certificate (Beautician/Makeup) in the vocational skills competition by the China General Chamber of Commerce.

Ms. MAO Niping (毛霓萍), aged 64, is an executive Director, the vice chairperson of the Board, senior vice president and the co-founder of Mao Geping Cosmetics Co., Ltd.

She joined our Group since its establishment in July 2000. Ms. Mao was appointed as a director of Hangzhou Mao Geping on March 20, 2005, and a Director of our Company on December 16, 2015 and was re-designated as an executive Director on April 1, 2024.

Ms. Mao Niping assisted Mr. Mao to establish Hangzhou Mao Geping, the predecessor of our Company in 2000, and served as the general manager of Hangzhou Mao Geping since then. From March 2005 to September 2010, she acted as the director and general manager of Hangzhou Mao Geping, being responsible for the overall operation and business management of our Group. From September 2010 to February 2011, she concurrently served as the senior vice president of Hangzhou Mao Geping and the general manager of Hangzhou Laifu Cosmetics Co., Ltd. Ms. Mao has served as vice chairperson of the board of the directors and senior vice president of Hangzhou Mao Geping and our Company successively since February 2011, being responsible for the affairs of the Board and the daily management of our Company. Ms. Mao has acted as the executive director and general manager of Hangzhou Love Keeps since November 2013, being responsible for the brand management of Love Keeps. She is also a director of Zhejiang Huidu.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Mao completed the in-service managerial business administration program at Tsinghua University in the PRC in November 2003.

Ms. MAO Huiping (毛慧萍), aged 62, is an executive Director, senior vice president of our Company and the co-founder of Mao Geping Cosmetics Co., Ltd.

Ms. Mao Huiping assisted Mr. Mao to establish Hangzhou Mao Geping, the predecessor of our Company in 2000, and served as the vice president of Hangzhou Mao Geping since then. From March 2005 to September 2010, she served as the director and the vice president of Hangzhou Mao Geping, being responsible for finance, human resources, logistics and development related affairs of our Group. Ms. Mao has acted as the executive director and the general manager of Mao Geping Technology since November 2009. Ms. Mao has served as a director and the senior vice president of Hangzhou Mao Geping and our Company successively since February 2011, being responsible for the finance, research and development and supply chain of our Group. She was re-designated as an executive Director on April 1, 2024. She is also a supervisor of Zhejiang Huidu.

Ms. Mao obtained an associate degree from Ningbo Open University (formerly known as Ningbo Radio and Television University) in the PRC in March 1991.

Mr. WANG Lihua (汪立華), aged 51, is an executive Director and vice president of our Company. Mr. Wang joined our Group in September 2002. He was appointed as a director of Hangzhou Mao Geping on February 13, 2011, and a Director of our Company on December 16, 2015 and was re-designated as an executive Director on April 1, 2024. He has served as the vice president our Company since December 16, 2015.

Mr. Wang served as the principal of the Beijing branch and Chengdu branch of Zhejiang Mao Geping Institute of Makeup Artistry from September 2002 to July 2010. Since August 2010, Mr. Wang has served as the deputy general manager at Mao Geping Image Design.

Mr. Wang was the legal representative of Cixi Changda Plastic Hardware Factory (慈溪暢達塑料五金廠, “**Changda**”), a company established in the PRC. As confirmed by Mr. Wang, Changda’s business license was revoked on July 15, 2005 as Changda was inactive with no substantial business operation.

Mr. Wang received the “China Top Ten Young Makeup Artist” award by the Makeup Committee of the China Film and Television Technology Society in December 2002. He received the “China International Fashion Award Best Makeup Stylist of the Year 2009” award from the Organizing Committee of China International Fashion Week in November 2009.

Mr. Wang completed the business management program at the International Business University of Beijing in the PRC in July 2003. In February 2007, Mr. Wang received the senior training instructor certification in theoretical knowledge and skill operations in the makeup artist profession from the Labor and Social Security Administrative Department in the PRC. In December 2003, Mr. Wang received his makeup artist certification and in March 2014, he received the Level Two Makeup Artist Certification from the Occupational Skill Testing Authority in the PRC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. SONG Hongquan (宋虹全) (former name 宋育潔), aged 50, is an executive Director, the president of our Company and general manager of “MAOGEPING” branding division of our Company. She is our chief executive.

Ms. Song joined our Group in October 2002. From October 2002 to September 2010, she served as the sales manager of Hangzhou Mao Geping, the predecessor of our Company, being responsible for product sales. From September 2009 to September 2010, she was the general manager of “MAOGEPING”. From September 2010 to February 2011, she acted as an executive director and the president of Hangzhou Mao Geping. From February 2011 to June 2012, she served as a director and the president of Hangzhou Mao Geping, being responsible for brand operation and management of “MAOGEPING”. She has served as a director and general manager of “MAOGEPING” branding division of Hangzhou Mao Geping and our Company successively since June 2012. From August 2015 to March 2024, she acted as the executive officer of Hangzhou Mao Geping and our Company consecutively, being responsible for brand building, marketing and sales management of MAOGEPING. Ms. Song has served as the president of our Company since April 2024 and was re-designated as an executive Director on April 1, 2024. She is also a director and the general manager of Zhejiang Huidu.

Ms. Song obtained her master’s degree in business administration from China University of Mining & Technology (Beijing) in the PRC in June 2016.

Independent non-executive Directors

Mr. GU Jiong (顧炯), aged 52, was appointed as an independent non-executive Director on April 1, 2024.

From April 2004 to December 2009, Mr. Gu joined UTStarcom Holdings Corp. (formerly known as UTStarcom. Inc.) whose shares are listed on NASDAQ, (ticker symbol: UTSI), a global telecom infrastructure provider specialized in the provision of packet optical transport and broadband access products to network operators, where he was responsible for accounting and financial matters, and was the finance controller when he left in December 2009. From January 2010 to August 2013, Mr. Gu served as the financial controller in BesTV New Media Co., Ltd. (currently known as Oriental Pearly Media Co., Ltd) (whose shares are listed on the Shanghai Stock Exchange, stock code: 600637), a company principally engaged in the provision of technical services, content services and marketing services for television terminals, computer terminals and mobile terminals through a media source platforms, where he was responsible for the financial matters of this company. From September 2013 to July 2024, Mr. Gu served as the financial director of CMC Capital Partners, an investment fund specializing in media and entertainment investments inside and outside the PRC, and the vice president of CMC Inc. (formerly known as CMC Holdings Limited) consecutively. From June 2015 to June 2021, Mr. Gu was an independent non-executive director of Xinming China Holdings Limited (whose shares are listed on the Stock Exchange, stock code: 2699). From September 2018 to January 2023, Mr. Gu was an independent non-executive director of DaFa Properties Group Limited (whose shares are listed on the Stock Exchange, stock code: 6111). From March 2017 to July 2023, Mr. Gu served as an independent non-executive director of Amlogic (Shanghai) Co., Ltd. (whose shares are listed on the Shanghai Stock Exchange, stock code: 688099).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Since April 2018, Mr. Gu has been an independent non-executive director of Ascleitis Pharma Inc. (whose shares are listed on the Stock Exchange, stock code: 1672). Since May 2019, Mr. Gu has been an independent non-executive director of Mulsanne Group Holding Limited (whose shares are listed on the Stock Exchange, stock code: 1817). Since December 2020, Mr. Gu has been an independent non-executive director of Vesync Co., Ltd. (whose shares are listed on the Stock Exchange, stock code: 2148). Since November 2022, Mr. Gu has been an independent non-executive director of Howkingtech International Holding Limited (whose shares are listed on the Stock Exchange, stock code: 2440).

Mr. Gu obtained a bachelor's degree in financial management from Fudan University in the PRC in July 1995. He is currently a non-practicing member of The Chinese Institute of Certified Public Accountants.

Mr. HUANG Hui (黃輝), aged 48, is an independent non-executive Director. He was appointed as an independent non-executive Director on April 1, 2024.

Mr. Huang was an associate professor from January 2010 to July 2014, and has been a professor in the Faculty of Law of the Chinese University of Hong Kong since August 2014. Mr. Huang specializes in corporate law, securities regulation, financial law, etc. Mr. Huang is an expert advisor of Shanghai Financial Court. He is also an adjunct professor of Law at the University of New South Wales, a Li Ka Shing visiting professor in McGill Law School, a 'Jingtian Scholar' honorary professor at East China University of Political Science and Law, and a guest professor at China University of Political Science and Law. He serves as an arbitrator for the Kuala Lumpur Regional Centre for Arbitration, the Shenzhen Court of International Arbitration and the Shanghai International Economic and Trade Arbitration Commission. Mr. Huang has served as an independent non-executive director of China Travel International Investment Hong Kong Limited (whose shares are listed on the Stock Exchange, stock code: 308) since October 2018.

Mr. Huang obtained his bachelor's degree in engineering in June 1998 and bachelor's degree in law in July 1999 and his master's degree in law in December 2001, all from Tsinghua University in the PRC, and a PhD in law from the University of New South Wales, Australia in December 2005.

Mr. LI Hailong (李海龍), aged 44, is an independent non-executive Director. He was appointed as an independent non-executive Director on May 13, 2022.

Mr. Li worked at Zhejiang City University from July 2014 to August 2017 with his last position as an associate professor. Mr. Li served as an independent non-executive director of Zhejiang Zhengte Co., Ltd. (whose shares are listed on the Shenzhen Stock Exchange, stock code: 001238) from December 2016 to December 2021 and Zhejiang Chinastars New Materials Group Co., Ltd. (whose shares are listed on the Shenzhen Stock Exchange, stock code: 301077) from October 2021 to September 2024. He has been an independent non-executive director of Ningbo Tianpu Rubber & Plastic Technology Co., Ltd. (whose shares are listed on the Shanghai Stock Exchange, stock code: 605255) since September 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li has an extensive background in academia and a wealth of experience in the field of law. Since September 2017, Mr. Li has been serving as the vice dean, professor, and graduate supervisor at the Law School of Zhejiang University of Finance & Economics. Since May 2018, Mr. Li has been serving as an arbitrator at Hangzhou Arbitration Commission.

Mr. Li obtained his bachelor's degree in law from South-Central Minzu University in the PRC in July 2002, his master's degree and doctorate degree in commercial law from Southwest University of Political Science and Law in the PRC in July 2007 and July 2010, respectively. Mr. Li completed postdoctoral research at the postdoctoral mobile station of East China University of Political Science and Law and the postdoctoral workstation of the Shanghai Stock Exchange from September 2012 to September 2014.

SUPERVISORS

Ms. GAO Yan (高妍), aged 45, has served as the chairperson of the Supervisory Committee and our Supervisor since December 29, 2018. Ms. Gao joined our Group in September 2012 as an administrative manager.

Prior to joining our Group, Ms. Gao served at Panasonic Appliances (China) Co., Ltd (formerly known as Panasonic Electric Works Residential Equipment (Hangzhou) Co., Ltd.) with her final position as the head of planning department from June 2005 to January 2010 and an office director of Zhejiang-Anhui Chamber of Commerce from September 2011 to August 2012.

Ms. Gao obtained her bachelor's degree in computer science and applications from Shenyang University of Technology in the PRC in July 2001, and her master's degree in business administration from Zhejiang GongShang University in the PRC in July 2008. In December 2009, Ms. Gao obtained the intermediate economist certificate issued by the Hangzhou Municipal Bureau of Human Resources and Social Security.

Mr. YANG Weiqing (羊偉青), aged 34, has served as our Supervisor since October 9, 2020. Mr. Yang joined our Group in May 2012 as a junior supply chain manager, and has served as the supply chain manager of our Company since January 2019.

Mr. Yang obtained his bachelor's degree in business administration from Zhejiang Sci-Tech University in the PRC in June 2014.

Ms. WU Meijuan (吳美娟) (former name 吳敏娟), aged 45, has served as our Supervisor since December 16, 2015. Ms. Wu joined our Group in September 2000 and served as an admission officer at Zhejiang Mao Geping Institute of Makeup Artistry from September 2000 to June 2002, admission director at Beijing Mao Geping Training Institute from November 2002 to June 2004. Ms. Wu served as an executive vice principal from July 2004 to February 2010, and an executive principal from March 2010 to September 2017 at Shanghai Mao Geping Image Design and Makeup Artistry Professional Skill Training Institute (上海毛戈平形象設計藝術職業培訓學校). Since October 2017, Ms. Wu has been the administrative director at Mao Geping Image Design.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wu obtained an online associate degree in business administration from Tianjin University in the PRC in January 2014.

Save as disclosed above, none of our Directors or Supervisors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of the Directors and Supervisors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Mao Geping (毛戈平), aged 60, is our founder, chairman of the Board, and an executive Director. See “— Directors — Executive Directors” above for his biographical details.

Ms. MAO Niping (毛霓萍), aged 64, is an executive Director, the vice chairperson of the Board, senior vice president and the co-founder of Mao Geping Cosmetics Co., Ltd. See “— Directors — Executive Directors” above for her biographical details.

Ms. MAO Huiping (毛慧萍), aged 62, is an executive Director, senior vice president of our Company and the co-founder of Mao Geping Cosmetics Co., Ltd. See “— Directors — Executive Directors” above for her biographical details.

Mr. WANG Lihua (汪立華), aged 51, is an executive Director and vice president our Company. See “— Directors — Executive Directors” above for his biographical details.

Ms. SONG Hongquan (宋虹全), aged 50, is an executive Director, president and general manager of “MAOGEPING” branding division of our Company. See “— Directors — Executive Directors” above for her biographical details.

Mr. XU Weiguo (徐衛國), aged 48, joined our Group in April 2011 and has served as the finance director of our Company since then.

Prior to joining our Group, Mr. Xu worked at Bright Diary & Food Co., Ltd. from July 1999 to July 2006 with his last position as the finance manager. Mr. Xu also served as an assistant to the finance director and an accounting manager at PepsiCo Beverages Co., Ltd. from August 2006 to December 2006 and the finance director at Jinyao (Shanghai) Business Management Co., Ltd. from December 2007 to April 2009.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu obtained his bachelor's degree in economics at Fudan University in the PRC in June 1999 and his master's degrees in finance from Fudan University in the PRC, in June 2007. Mr. Xu received his certified public accountant certificate (CPA) from the Shanghai Institute of Certified Public Accountants in December 2003.

Mr. DONG Leqin (董樂勤), aged 41, joined our Group in December 2014 and has served as the secretary of the Board and head of legal department of our Company since then. He was appointed as one of our joint company secretaries in April 2024.

Prior to joining our Group, Mr. Dong served as the office secretary and a deputy general manager of Longzai Travel business department of Zhejiang International Tourism Group Co., Ltd. from May 2005 to July 2013. Mr. Dong served as the manager of the securities investment department from July 2007 to April 2009, the secretary of the board of directors, the director of the human resources and the head of legal department at Zhejiang Tourism Holdings Co., Ltd. from May 2009 to June 2013. Mr. Dong also served as an operation director at Anhui Endu Good Co., Ltd. from July 2013 to September 2014.

Mr. Dong obtained his bachelor's degree in tourism management from Nankai University in the PRC in June 2005 and his master's degree in law from Zhejiang University in the PRC in December 2013. In February 2009, Mr. Dong obtained the legal professional qualification certificate issued by the Ministry of Justice of the PRC. In July 2009, Mr. Dong obtained the qualification certificate for board secretaries from the Shenzhen Stock Exchange. In June 2010, Mr. Dong obtained the certificate of second-level enterprise human resources manager issued by the Ministry of Human Resources and Social Security of the PRC. In September 2016, Mr. Dong obtained the qualification certificate for board secretaries from the Shanghai Stock Exchange. In January 2024, Mr. Dong was admitted as a Certified Management Accountant by the Institute of Management Accountants, United States of America.

JOINT COMPANY SECRETARIES

Mr. DONG Leqin (董樂勤), aged 41, is the secretary of the Board and head of legal department of our Company and was appointed as one of our joint company secretaries on April 1, 2024. See “— Senior Management” for his biographical details.

Ms. ZHANG Xiao (張瀟), aged 37, is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and has over ten years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2019.

Ms. Zhang obtained a bachelor's degree in computer science from The Chinese University of Hong Kong in 2010 and a master's degree in corporate governance from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University) in 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations, the Corporate Governance Code and the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee, and the Nomination Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. GU Jiong, Mr. HUANG Hui and Mr. LI Hailong. Mr. GU Jiong, being the chairperson of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, but not limited to, the following:

- reviewing and evaluating the work of external auditors;
- monitoring and making recommendations to internal audit work of our Company;
- reviewing and making recommendations to the financial reports of our Company;
- evaluating the effectiveness of internal control work;
- ensuring coordination between the management, internal audit department and relevant departments and external auditors; and
- performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Remuneration Committee consists of five Directors, including two executive Directors, Mr. Mao and Ms. MAO Huiping, and three independent non-executive Directors, Mr. GU Jiong, Mr. HUANG Hui and Mr. LI Hailong. Mr. LI Hailong serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- reviewing and approving remuneration proposals of members of our senior management in accordance with our Company's policies and objectives as approved by our Board from time to time;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- making recommendations to our Board on our Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, including but are not limited to, performance evaluation standards, procedures and evaluation systems;
- conducting the evaluation of the annual performance of all Directors and senior management;
- monitoring compensation payable to all Directors and senior management;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules (if any); and
- performing other duties and responsibilities as assigned by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Nomination Committee consists of five Directors, including two executive Directors, Mr. Mao and Ms. MAO Niping, and three independent non-executive Directors, Mr. GU Jiong, Mr. HUANG Hui and Mr. LI Hailong. Mr. LI Hailong serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- reviewing and making recommendations to the Board on the composition and number of our Board and senior management with reference to our Company's business activities, the scale of assets and shareholding structure;
- identifying individuals suitably qualified to become a member of our Board and senior management and making recommendations to our Board on the selection of individuals nominated for directorships and senior management;
- reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors;
- accessing and making recommendations to the selection of other senior management appointed by our Board; and
- performing other duties and responsibilities as assigned by our Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on March 24, 2024 and April 1, 2024 (as the case may be) and (ii) understands the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer under the Listing Rules and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointments.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also our Company's employees, compensation in the form of fees, salaries, bonuses, allowances and benefits in kind and pension scheme contributions. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, the aggregate amount of remuneration paid or payable to our Directors and Supervisors amounted to approximately RMB15.0 million, RMB19.2 million, RMB23.2 million and RMB10.7 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation, including estimated-share based compensation, to be accrued to our Directors and our Supervisors for the year ending December 31, 2024 to be approximately RMB22.85 million. The actual remuneration of Directors and Supervisors in 2024 may be different from the expected remuneration.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, there were four, four, four and four Directors among the five highest paid individuals, respectively. The total emoluments for the remaining individual(s) among the five highest paid individuals amounted to approximately RMB3.6 million, RMB3.1 million, RMB3.4 million and RMB5.3 million, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

We confirmed that during the Track Record Period, no consideration was paid by our Company to, or receivable by, our Directors for making available directors' services or as termination benefits.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiary to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders.

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the Listing.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors currently consists of four female Directors and five male Directors with a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including engineering, economics, and business administration. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

a diverse age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board Diversity Policy.

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the Listing, our Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

COMPLIANCE ADVISOR

We have appointed Rainbow Capital (HK) Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Mao and Ms. Wang were collectively interested in approximately 57.26% of our total issued share capital, comprising (i) 43.63% of our total issued share capital directly held by Mr. Mao, (ii) 11.34% of our total issued share capital directly held by Ms. Wang, (iii) 0.55% of our total issued share capital controlled by Mr. Mao and Ms. Wang indirectly through Dijing Investment which was controlled by Ms. Wang and Mr. Mao as to 35.45% and 10%, respectively, with Mr. Mao acting as its general partner, and (iv) 1.74% of our total issued share capital controlled by Ms. Wang indirectly through Jiachi Investment, in which Ms. Wang as its general partner shall have the ultimate decision making power and de facto control on Jiachi Investment's voting rights in our Company in the general partner arrangement. See "History, Development and Corporate Structure — Our Controlling Shareholders" for details.

Immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), Mr. Mao and Ms. Wang will, directly and indirectly through Dijing Investment and Jiachi Investment, continue to control in aggregate approximately 48.68% of our total issued share capital. Therefore, Mr. Mao, Ms. Wang, Dijing Investment and Jiachi Investment will remain as a group of Controlling Shareholders of our Company upon Listing.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from the Controlling Shareholders and their close associates after the Listing, taking into consideration the factors below.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board consists of nine Directors, comprising six executive Directors and three independent non-executive Directors. Mr. Mao and Ms. Wang, who are the Controlling Shareholders, as detailed above, are also the members of our Board. Mr. Mao is our founder and serves as the chairman of the Board and an executive Director. Ms. Wang serves as the vice chairperson of the Board and an executive Director.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are able to carry on our business independently from the Controlling Shareholders from a management perspective for the following reasons:

- (a) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. See “Directors, Supervisors and Senior Management” for details of the industry experience of our senior management team;
- (b) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and
- (d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management. See “— Corporate Governance” below for details.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Controlling Shareholders and their close associates after the Listing.

Operational Independence

We do not rely on the Controlling Shareholders and their close associates for our daily operations. While our business operations and growth prospects might be affected by our founder, Mr. Mao’s reputation in makeup, television and film and beauty industries and the experience and abilities of our founder, Mr. Mao, and our senior management and key personnel, we have our own departments specializing in business development, sales and marketing, financing, logistics, human resources, administration, internal audit, information technology, legal and compliance, or company secretarial functions which have been in operation and are expected to continue to operate separately and independently from the Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We also have sufficient capital, facilities, equipment and employees, administrative and corporate governance infrastructure, to operate the business independently. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

In addition, we also entered into certain framework agreements with connected persons in connection with two of our Controlling Shareholders, Mr. Mao or Ms. Wang or their associate, which will constitute continuing connected transactions of our Group after Listing. For details of such transactions, see “Connected Transactions.” For details about our related party transactions during the Track Record Period, see Note 32 of the Accountants’ Report as set out in Appendix I to this prospectus. To the best of our knowledge and as confirmed by Mr. Mao, Mr. Mao has no intention not to renew and is not aware of any impediment in the renewal of the Name and Portrait Rights Licensing Framework Agreement upon its expiry in December 2026. The transactions under the Name and Portrait Rights Licensing Framework Agreement and the Property Leasing Framework Agreement will not undermine the operational independence of our Group on the basis that, (i) we have registered and have maintained trademarks for our products; and (ii) with our access to independent sources and in a sufficiently competitive market, our Group will be able to identify other suppliers or lessors, who are Independent Third Parties, and other suitable substitutes for our office and business premises through arm’s length negotiation at similar terms and conditions to meet our business and operational needs, without causing any undue delay or material disruption to our operations. Our Group continues to research and develop new products and broaden our product portfolio, and to explore the opportunities of strategic incubation or acquisition of new premium brands. Also, our promotion has been product-focused and content-driven, and the promotion and packaging of our products using trademarks registered by our Group distinguish them from Mr. Mao’s personal image and name. According to Frost & Sullivan, it is not uncommon in the beauty industry for beauty brands to name their brand after their founders, with representative international and Chinese examples including (without limitation) Chanel, Bobbi Brown, Shu Uemura and Yuesai.

We collaborate with Mr. Mao from time to time to implement our business plans. Our Directors are of the view that there is a mutual beneficial relationship between our Group and Mr. Mao. As a renowned makeup artist in China’s beauty industry, Mr. Mao has a large fan base and can attract significant interest to products associated with him. We believe Mr. Mao’s name and portrait rights empower our retail business through creating promotional effect on our products, having considered the positive name and image of Mr. Mao and his positive influence on the public in the beauty industry in China. We also believe Mr. Mao will continue to be a well-regarded makeup artist in the beauty industry in China in the near future, thereby continuing to contribute to our operations through the empowerment achieved by his name and image. We developed strong brand reputation and associated our brand with a positive lifestyle by collaborating with Cultural and Creative Institute of the Palace Museum, artistic swimming team, TEAM CHINA and sports events, which could also raise Mr. Mao’s popularity and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

reputation. As our Controlling Shareholder, Mr. Mao will benefit financially from the development of our Company, and the development of our Company and the promotion of its brand will also help realize Mr. Mao's personal values and goals. Going forward, our Company and Mr. Mao will continue to cultivate and leverage our collaborative and mutually beneficial relationship.

We have established and maintained a stable relationship with Mr. Mao. By formalizing our cooperation with Mr. Mao and entering into the Name and Portrait Rights Licensing Framework Agreement with him, we believe the rights given to us under the Name and Portrait Rights Licensing Framework Agreement can further secure Mr. Mao's collaboration with us in a stable manner.

During the Track Record Period, sales of our products under our flagship brand, MAOGEPING, accounted for 96.6%, 98.4%, 99.0% and 99.3% of our total revenue, respectively, where the relevant trademarks are owned by the Group, see "Appendix VII — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights — (a) Trademarks" in this prospectus. We used Mr. Mao's image on brand development and did not use it directly on our products.

We believe our Group's success does not solely rely on the empowerment by Mr. Mao, and our various sales and marketing means, establishment of extensive sales channels and experiential and personalized customer service, product quality, strong brand reputation established over the years and independent daily management and operations carried out by an experienced senior management team contributed to our success and will remain as the major and collective factors to the success and sustainability of our Group. Through years of operation and development with efforts from a number of outstanding talents, we believe we have successfully positioned MAOGEPING as an independent brand recognized in its own right. According to Frost & Sullivan, MAOGEPING has achieved a leading position among all domestic beauty brands, and was the only domestic brand among the top 15 premium beauty brands in China in terms of retail sales in 2023. We also successfully launched Love Keeps to diversify our brand portfolio. As of June 30, 2024, our product portfolio comprised 387 SKUs across both product categories. We have established a large self-operated counter network with over 2,700 beauty advisors as of the Latest Practicable Date and a strong presence across multiple online platforms, and maintained a product development team of 58 experienced personnel as of June 30, 2024. We also established a nationwide makeup training service network of nine Institutes of Makeup Artistry in China as of the Latest Practicable Date to cultivate talents to support our future growth. Based on the foregoing, our Directors are of the view that changes in the relationship between Mr. Mao and our Group will not have a material adverse impact on our business while our Group is capable of managing and sustaining its business and is able to effectively mitigate the risk exposure even with the reduction of involvement of Mr. Mao. See "Risk Factors — Risks Relating to Our Business and Industry — Our business success has been driven by certain key personnel, including our founder, Mr. Mao. There is no guarantee that our Name and Portrait Rights Licensing Framework Agreement with Mr. Mao, which will expire in December 2026, will be renewed by Mr. Mao or renewed with similar terms."

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors believe that we are able to operate independently from the Controlling Shareholders and their close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders and their close associates. We do not expect to rely on the Controlling Shareholders and their close associates for financing after the Listing as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the proceeds from the Global Offering.

In addition, we are capable of obtaining financing from Independent Third Parties, if necessary, without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates. As of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or granted to the Controlling Shareholders or their respective close associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently from, and do not place undue reliance on the Controlling Shareholders or their respective close associates after the Listing.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance for listed issuers.

Our Directors recognize the importance of implementing good corporate governance and effective internal control measures in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders and their respective close associates:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon Listing. In particular, our Articles of Association provides that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Group enters into connected transactions with the Controlling Shareholders or any of their respective associates, we will comply with the applicable Listing Rules;
- (d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere with the exercise of their independent judgment in any material manner, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. See “Directors, Supervisors and Senior Management” for details of the independent non-executive Directors;
- (e) where our Directors reasonably request the advice of independent professionals or advisors, such as financial advisors, valuers or legal advisors, the appointment of such independent professionals or advisors will be made at our Company’s expenses; and
- (f) we have appointed Rainbow Capital (HK) Limited as our Compliance Advisor to provide us with advice and guidance in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders, and to protect minority Shareholders’ interests after the Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares, and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of Interest	Class and Number of Shares held upon completion of the Global Offering ⁽¹⁾	Approximate percentage of shareholding in total/issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the total/issued share capital of our Company immediately after the Global Offering ⁽²⁾	Approximate percentage of shareholding in the relevant class of Shares immediately after the Global Offering ⁽²⁾
Mr. Mao	Beneficial owner, and interest of spouse ⁽³⁾	143,236,800 Unlisted Shares	35.81%	30.44%	62.73%
	Beneficial owner, interest in controlled corporation and interest of spouse ⁽³⁾	85,818,400 H Shares	21.45%	18.24%	35.43%
Ms. Wang	Beneficial owner, and interest of spouse ⁽⁴⁾	143,236,800 Unlisted Shares	35.81%	30.44%	62.73%
	Beneficial owner, interest in controlled corporation and interest of spouse ⁽⁴⁾	85,818,400 H Shares	21.45%	18.24%	35.43%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Class and Number of Shares held upon completion of the Global Offering ⁽¹⁾	Approximate percentage of shareholding in total/issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the total/issued share capital of our Company immediately after the Global Offering ⁽²⁾	Approximate percentage of shareholding in the relevant class of Shares immediately after the Global Offering ⁽²⁾
Dijing Investment . .	Interests held jointly with another person	143,236,800 Unlisted Shares	35.81%	30.44%	62.73%
	Beneficial owner and interests held jointly with another person	85,818,400 H Shares	21.45%	18.24%	35.43%
Jiachi Investment . .	Interests held jointly with another person	143,236,800 Unlisted Shares	35.81%	30.44%	62.73%
	Beneficial owner and interests held jointly with another person	85,818,400 H Shares	21.45%	18.24%	35.43%
Ms. MAO Niping (毛霓萍)	Beneficial owner	29,556,800 Unlisted Shares	7.39%	6.28%	12.94%
	Beneficial owner	15,818,400 H Shares	3.95%	3.36%	6.53%
Ms. MAO Huiping (毛慧萍)	Beneficial owner	25,009,600 Unlisted Shares	6.25%	5.31%	10.95%
	Beneficial owner	13,384,800 H Shares	3.35%	2.84%	5.53%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) All interests stated are long positions. The number of Shares is presented based on the assumption that the Share Subdivision is completed.
- (2) The calculation is based on the total number of 228,344,600 Unlisted Shares in issue, 171,655,400 H Shares to be converted from Unlisted Shares in issue and 70,588,200 H Shares to be issued pursuant to the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised).
- (3) Upon completion of the Conversion of Unlisted Shares into H Shares and the Global Offering, Mr. Mao was deemed to be interested in:
 - (a) a total of 143,236,800 Unlisted Shares comprising (i) 113,680,000 Unlisted Shares held directly by Mr. Mao; and (ii) 29,556,800 Unlisted Shares held directly by Ms. Wang, the spouse of Mr. Mao; and
 - (b) a total of 85,818,400 H Shares comprising (i) 60,840,000 H Shares held directly by Mr. Mao; (ii) 15,818,400 H Shares held directly by Ms. Wang, the spouse of Mr. Mao; (iii) 2,200,000 H Shares held by Dijing Investment; and (iv) 6,960,000 H Shares held directly by Jiachi Investment.

Dijing Investment was controlled by its general partner, Mr. Mao, as to 10% and its limited partner, Ms. Wang, as to 35.45%. As such, Mr. Mao was deemed to be interested in the Shares of our Company held by Dijing Investment.

- (4) Upon completion of the Conversion of Unlisted Shares into H Shares and the Global Offering, Ms. Wang was deemed to be interested in:
 - (a) a total of 143,236,800 Unlisted Shares comprising (i) 29,556,800 Unlisted Shares held directly by Ms. Wang; and (ii) 113,680,000 Unlisted Shares held directly by Mr. Mao, the spouse of Ms. Wang; and
 - (b) a total of 85,818,400 H Shares comprising (i) 15,818,400 H Shares held directly by Ms. Wang; (ii) 60,840,000 H Shares held directly by Mr. Mao, the spouse of Ms. Wang; (iii) 2,200,000 H Shares directly held by Dijing Investment; and (iv) 6,960,000 H Shares directly held by Jiachi Investment.

Dijing Investment was controlled by its general and executive partner, Mr. Mao, as to 10% and its limited partner, Ms. Wang, as to 35.45%. As such, Ms. Wang was deemed to be interested in the Shares of our Company held by Dijing Investment. Further, Jiachi Investment was held by Ms. Wang, Mr. DONG Leqin, Ms. MAO Niping and Ms. MAO Huiping as to 30.4598%, 8.6208%, 30.4598% and 30.4598%, respectively, with Ms. Wang and Mr. DONG Leqin acting as joint general partners while Ms. Wang shall have the casting vote and decision-making power in the general partner arrangement. As such, Ms. Wang was deemed to be interested in the Shares held by Jiachi Investment.

Upon completion of the Global Offering, Mr. Mao, Ms. Wang, Dijing Investment and Jiachi Investment will remain as our Controlling Shareholders.

Saved as disclosed herein, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment and the Over-allotment Option are not exercised) and the Conversion of Unlisted Shares into H Shares, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered capital of our Company was RMB200 million, comprising 200,000,000 Unlisted Shares of nominal value RMB1.00 each.

UPON COMPLETION OF THE SHARE SUBDIVISION AND THE GLOBAL OFFERING

Immediately following completion of the Share Subdivision, the Global Offering and the Conversion of Unlisted Shares into H Shares, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage to total share capital</u> (%)
Unlisted Shares in issue	228,344,600	48.52
H Shares converted from Unlisted Shares	171,655,400	36.48
H Shares to be issued under the Global Offering	<u>70,588,200</u>	<u>15.00</u>
Total	<u><u>470,588,200</u></u>	<u><u>100.00</u></u>

Immediately following completion of the Share Subdivision, the Global Offering and the Conversion of Unlisted Shares into H Shares, assuming that the Offer Size Adjustment Option is fully exercised but the Over-allotment Option is not exercised or assuming that the Offer Size Adjustment Option is not exercised but the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage to total share capital</u> (%)
Unlisted Shares in issue	228,344,600	47.46
H Shares converted from Unlisted Shares	171,655,400	35.67
H Shares to be issued under the Global Offering	<u>81,176,400</u>	<u>16.87</u>
Total	<u><u>481,176,400</u></u>	<u><u>100.00</u></u>

SHARE CAPITAL

Immediately following completion of the Share Subdivision, the Global Offering and the Conversion of Unlisted Shares into H Shares, assuming the Over-allotment Option and the Offer Size Adjustment Option are fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Unlisted Shares in issue	228,344,600	46.28
H Shares converted from Unlisted Shares	171,655,400	34.79
H Shares to be issued under the Global Offering	<u>93,352,800</u>	<u>18.92</u>
Total	<u>493,352,800</u>	<u>100.00</u>

The Conversion of Unlisted Shares into H Shares will involve an aggregate of 171,655,400 Unlisted Shares (being 85,827,700 Shares of the Company with par value of RMB1.0 before the completion of the Share Subdivision) held by all 14 existing Shareholders, representing approximately 42.91% of total issued Shares of the Company as of the Latest Practicable Date and approximately 36.48% of total issued Shares of the Company upon completion of the Conversion of Unlisted Shares into H Shares and the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised). Set out below are such number of Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Unlisted Shares into H Shares and the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

Shareholders	Shares immediately after the Conversion of Unlisted Shares into H Shares and the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised)				
	Unlisted Shares to be converted into H Shares	H Shares	Approximate Percentage	Unlisted Shares	Approximate Percentage
Mr. Mao	60,840,000	60,840,000	12.93%	113,680,000	24.16%
Ms. Wang	15,818,400	15,818,400	3.36%	29,556,800	6.28%
Ms. MAO Niping	15,818,400	15,818,400	3.36%	29,556,800	6.28%
Ms. MAO Huiping	13,384,800	13,384,800	2.84%	25,009,600	5.31%
Mr. WANG Lihua	8,517,600	8,517,600	1.81%	15,915,200	3.38%
Ms. SONG Hongquan	10,711,200	10,711,200	2.28%	10,231,200	2.17%
Mr. XU Kejun	10,000,000	10,000,000	2.13%	–	–
Mr. DING Tao	10,000,000	10,000,000	2.13%	–	–
Ms. YAO Zhihong	7,680,000	7,680,000	1.63%	–	–
Jiachi Investment	6,960,000	6,960,000	1.48%	–	–

SHARE CAPITAL

Shares immediately after the Conversion of Unlisted Shares into H Shares and the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised)

Shareholders	Unlisted Shares to be converted into H Shares	H Shares	Approximate Percentage	Unlisted Shares	Approximate Percentage
Shenzhen Dushi	1,465,000	1,465,000	0.31%	4,395,000	0.93%
Mr. CAO Guoxiong	4,320,000	4,320,000	0.92%	–	–
Suzhou Jinhong	3,940,000	3,940,000	0.84%	–	–
Dijing Investment	2,200,000	2,200,000	0.47%	–	–
Total	171,655,400	171,655,400	36.48%	228,344,600	48.52%

OUR SHARES

The H Shares in issue upon completion of the Global Offering and the Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

Our H Shares may only be subscribed for and traded in Hong Kong dollars. Our Unlisted Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai — Hong Kong Stock Connect or the Shenzhen — Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing Shareholders the Unlisted Shares held by whom will be converted in to H shares according to the approval of the CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Our Unlisted Shares, on the other hand, can be purchased or transferred between legal or natural persons of the PRC, qualified foreign institutional investors and qualified foreign strategic investors.

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

SHARE CAPITAL

CONVERSION OF UNLISTED SHARES INTO H SHARES

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council and the Articles of Association, the Unlisted Shares may be converted into overseas-listed Shares. Such converted Shares could be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval process has been duly completed, all the filing procedures with relevant PRC regulatory authorities, including the CSRC are followed. In addition, such conversion and trading shall comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

Register with the CSRC and Full Circulation Application

In accordance with the Trial Measures and related guidelines, H-share listed companies which apply for the conversion of unlisted shares into H shares for listing and circulation on the Hong Kong Stock Exchange shall register with the CSRC by filing materials on key compliance issues. An unlisted joint stock company may apply for “full circulation” when applying for an overseas listing.

We have filed with the CSRC for, and the CSRC has registered the conversion of 171,655,400 Unlisted Shares into H Shares on a one-for-one basis upon the completion of the Global Offering and CSRC issued the filing notice in respect of the Global Offering dated November 7, 2024.

Listing Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and (ii) the H Shares to be converted from our existing Unlisted Shares.

We will perform the following procedures for the conversion of the relevant Unlisted Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

SHARE CAPITAL

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any listing of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the Global Offering will be subject to such statutory restriction on transfer within a period of one year from the Listing. See “History, Development and Corporate Structure — Pre-IPO Investments — Principal terms of the Pre-IPO Investments and Pre-IPO Investors’ rights”.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See “Appendix VI — Summary of the Articles of Association” in this prospectus.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased for an aggregate amount of approximately US\$100 million (or approximately HK\$778.26 million, calculated based on an exchange rate of US\$1.00 to HK\$7.7826) (assuming an Offer Price of HK\$28.05 per H Share (being the mid-point of the Offer Price range) and exclusive of brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$29.80 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 26,116,000. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
37.00%	5.55%	32.17%	5.43%	32.17%	5.43%	27.98%	5.29%

Based on the Offer Price of HK\$28.05 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 27,745,200. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
39.31%	5.90%	34.18%	5.77%	34.18%	5.77%	29.72%	5.62%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$26.30 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 29,591,300. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
41.92%	6.29%	36.45%	6.15%	36.45%	6.15%	31.70%	6.00%

We believe that the Cornerstone Placing demonstrates our Cornerstone Investors' confidence in our Company and its business prospect, and that the Cornerstone Placing will help to raise the profile of our Company. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group's business network or through introduction by the Company's business partners or the Sole Overall Coordinator.

The Cornerstone Placing will form part of the International Offering, and, save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid H Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will become a substantial Shareholder of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights under each of their respective Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

To the best knowledge of our Company, each of the Cornerstone Investors is (i) not accustomed to take instructions from our Company or any of our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held

CORNERSTONE INVESTORS

by them; (ii) not financed by our Company or any of our Directors, Supervisors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) independent of the other Cornerstone Investors, our Group, our connected persons and their respective associates, and is not an existing Shareholder or a close associate of our Group. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions. To the best knowledge of the Company and the Sole Overall Coordinator, and based on the indicative interest of investment of the Cornerstone Investors and/or their close associates as of the date of this prospectus, certain Cornerstone Investors and/or their close associates may participate in the International Offering as placees and subscribe for further Offer Shares in the Global Offering. The Company will seek the Stock Exchange's consent and/or waiver to allow the Cornerstone Investors and/or their close associates to participate in the International Offering as placees pursuant to Chapter 4.15 of the Guide for New Listing Applicants. Whether such Cornerstone Investors and/or their close associates will place orders in the International Offering are uncertain and will be subject to the final investment decisions of such investors and the terms and conditions of the Global Offering.

To the best knowledge of our Company and as confirmed by each of the Cornerstone Investors, each of the Cornerstone Investors make independent investment decisions, and their subscription under the Cornerstone Placing would be financed by its own internal financial resources, financial resources of its shareholders or the assets managed for its investors (in the case of Cornerstone Investors which are funds or investment managers) and it has sufficient funds to settle its respective investment under the Cornerstone Placing. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant Cornerstone Placing.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange. Each Cornerstone Investor has agreed that our Company and the Sole Overall Coordinator in their sole discretion may defer the delivery of all or part of the Offer Shares it will subscribe to a date later than the Listing Date. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares before the Listing.

CORNERSTONE INVESTORS

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. If the total demand for H shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in this prospectus, our Company and the Sole Overall Coordinator have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a *pro rata* basis under the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around December 9, 2024.

THE CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

		Assuming an Offer Price of HK\$26.30 per H Share (being the low-end of the Offer Price range)								
		Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full				
Cornerstone Investor	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital
<i>(USD in millions)</i>										
CPE Investment XV Limited (“CPE Investment”)	35.00	10,357,000	14.67%	2.20%	12.76%	2.15%	12.76%	2.15%	11.09%	2.10%
Loyal Valley Capital (“LVC”)	20.00	5,918,300	8.38%	1.26%	7.29%	1.23%	7.29%	1.23%	6.34%	1.20%
Seraphim Advantage Inc. (“Seraphim Advantage”)	15.00	4,438,700	6.29%	0.94%	5.47%	0.92%	5.47%	0.92%	4.75%	0.90%
IvyRock Asset Management (HK) Limited (“IvyRock”)	10.00	2,959,100	4.19%	0.63%	3.65%	0.61%	3.65%	0.61%	3.17%	0.60%
Brilliant Partners Fund LP and China Core Fund	10.00	2,959,100	4.19%	0.63%	3.65%	0.61%	3.65%	0.61%	3.17%	0.60%
Mega Prime Development Limited (“Mega Prime”)	10.00	2,959,100	4.19%	0.63%	3.65%	0.61%	3.65%	0.61%	3.17%	0.60%
Total	100.00	29,591,300	41.92%	6.29%	36.45%	6.15%	36.45%	6.15%	31.70%	6.00%

CORNERSTONE INVESTORS

Assuming an Offer Price of HK\$28.05 per H Share (being the mid-point of the Offer Price range)

Cornerstone Investor	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full		Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full	
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate	Approximate	Approximate	Approximate	Approximate	Approximate	Approximate	Approximate
			% of the Offer Shares	% of the issued share capital	% of the Offer Shares	% of the issued share capital	% of the Offer Shares	% of the issued share capital	% of the Offer Shares	% of the issued share capital
<i>(USD in millions)</i>										
CPE Investment	35.00	9,710,900	13.76%	2.06%	11.96%	2.02%	11.96%	2.02%	10.40%	1.97%
LVC	20.00	5,549,000	7.86%	1.18%	6.84%	1.15%	6.84%	1.15%	5.94%	1.12%
Seraphim Advantage	15.00	4,161,800	5.90%	0.88%	5.13%	0.86%	5.13%	0.86%	4.46%	0.84%
IvyRock	10.00	2,774,500	3.93%	0.59%	3.42%	0.58%	3.42%	0.58%	2.97%	0.56%
Brilliant Partners Fund LP and China										
Core Fund	10.00	2,774,500	3.93%	0.59%	3.42%	0.58%	3.42%	0.58%	2.97%	0.56%
Mega Prime	10.00	2,774,500	3.93%	0.59%	3.42%	0.58%	3.42%	0.58%	2.97%	0.56%
Total	100.00	27,745,200	39.31%	5.90%	34.18%	5.77%	34.18%	5.77%	29.72%	5.62%

Assuming an Offer Price of HK\$29.80 per H Share (being the high-end of the Offer Price range)

Cornerstone Investor	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full		Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full	
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate	Approximate	Approximate	Approximate	Approximate	Approximate	Approximate	Approximate
			% of the Offer Shares	% of the issued share capital	% of the Offer Shares	% of the issued share capital	% of the Offer Shares	% of the issued share capital	% of the Offer Shares	% of the issued share capital
<i>(USD in millions)</i>										
CPE Investment	35.00	9,140,600	12.95%	1.94%	11.26%	1.90%	11.26%	1.90%	9.79%	1.85%
LVC	20.00	5,223,200	7.40%	1.11%	6.43%	1.09%	6.43%	1.09%	5.60%	1.06%
Seraphim Advantage	15.00	3,917,400	5.55%	0.83%	4.83%	0.81%	4.83%	0.81%	4.20%	0.79%
IvyRock	10.00	2,611,600	3.70%	0.55%	3.22%	0.54%	3.22%	0.54%	2.80%	0.53%
Brilliant Partners Fund LP and China Core Fund	10.00	2,611,600	3.70%	0.55%	3.22%	0.54%	3.22%	0.54%	2.80%	0.53%
Mega Prime	10.00	2,611,600	3.70%	0.55%	3.22%	0.54%	3.22%	0.54%	2.80%	0.53%
Total	100.00	26,116,000	37.00%	5.55%	32.17%	5.43%	32.17%	5.43%	27.98%	5.29%

CORNERSTONE INVESTORS

Notes:

- (1) Subject to rounding down to the nearest whole board lot of 100 Offer Shares. Calculated based on the exchange rate set out in the section headed “Information about this document and the Global Offering — Currency Translations”.
- (2) Calculated based on an exchange rate of US\$1.0000: HK\$7.7826.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

CPE Investment

CPE Investment is a business company incorporated under the laws of the BVI and its primary business activity is investment holding. It is wholly owned by CPE Global Opportunities Fund II, L.P. (“**CPE GOF II**”), an exempted limited partnership formed under the laws of Cayman Islands. Its general partner is CPE GOF GP Limited, a company incorporated in the Cayman Islands with limited liability. CPE GOF GP Limited is directly and wholly owned by CPE Management International Limited, which is in turn wholly owned by CPE Management International II Limited, both of which are companies incorporated in Cayman Islands with limited liability. CPE Management International II Limited is owned by a number of shareholders that are natural persons, none of whom controls CPE Management International II Limited. CPE GOF II’s investor base comprises both corporate and entrepreneurial investors. No ultimate beneficial owner of any limited partner or general partner holds 30% or more interests in CPE Investment.

LVC

LVC is a private equity firm that mainly focuses on the following segments: new consumer (media, entertainment and education), healthcare and advanced manufacturing. LVC is ultimately controlled by Lijun Lin and has investments in, without limitation, Cloud Music Inc., Bilibili Inc. and Sichuan Baicha Baidao Industrial Co., Ltd. LVC will subscribe for the Offer Shares through Golden Valley Global Limited and Golden Valley Value Select Master Fund, each an investment vehicle of LVC. Golden Valley Global Limited is a business company established by LVC in 2016 and none of the remaining shareholders of Golden Valley Global Limited holds 30% or more of the equity interest therein. Golden Valley Value Select Master Fund is a mutual fund established by LVC in 2022, with Golden Valley Value Select Fund holding 99.99% equity interest therein. Golden Valley Value Select Fund is ultimately controlled by Lijun Lin.

Seraphim Advantage Inc.

Seraphim Advantage Inc. is a wholly-owned subsidiary of Advantage China Consumer Fund (“**ACCF Capital**”). ACCF Capital is owned as to 90% by JW New Energy Limited, which is wholly owned by Dr. Jun Wang, an experienced PE investor in Asian consumer investment space. ACCF Capital invests primarily in cosmetics, clothing and pets, the investment team of which is led by a veteran industry investor, Dr. Jun Wang.

CORNERSTONE INVESTORS

IvyRock

IvyRock Asset Management (HK) Limited (“**IvyRock**”) is incorporated in Hong Kong with limited liability and licensed by the SFC to carry on type 9 (asset management) regulated activity. The firm is ultimately owned by Mr. Yong HUANG. IvyRock is a discretionary investment manager of certain commingled funds and institutional separate managed account (together, the “**IvyRock Funds**”). IvyRock subscribes for the Offer Shares through Ivyrock China Focus Master Fund, IvyRock China Equity Master Fund and ABS Direct Equity Fund LLC, Asia Series 6. None of the investors of Ivyrock China Focus Master Fund and ABS Direct Equity Fund LLC, Asia Series 6 holds 30% or more equity interest therein. The only investor which holds 30% or more equity interest in IvyRock China Equity Master Fund is KI FENGCAI, an Independent Third Party.

The IvyRock Funds pursue to achieve long-term capital appreciation by investing primarily in the listed securities of companies which have great exposure to the Greater China region with a fundamentals-driven approach. The IvyRock Funds primarily invest in sectors including consumers, healthcare, TMT/Internet, and advanced manufacturing.

Brilliant Partners Fund LP and China Core Fund

Brilliant Partners Fund LP is a pooled investment fund with many external investors and is in form of a limited partnership established in the Cayman Islands in 2013. The general partner of Brilliant Partners Fund LP is ultimately controlled by an individual who is an Independent Third Party. None of the beneficial owners of Brilliant Partners Fund LP ultimately holds 30% or more equity interest therein.

China Core Fund is a pooled investment fund with many external investors and is in form of a limited company established in the Cayman Islands in 2017. The entire management shares of China Core Fund are ultimately controlled by the individual who ultimately controls the general partner of Brilliant Partners Fund LP. None of the beneficial owners of China Core Fund ultimately holds 30% or more equity interest therein.

Brilliant Partners Fund LP and China Core Fund invest primarily in consumer, leisure and services, advanced manufacturing, cyclical and internet, and primarily in China A, Hong Kong and US ADRs.

Mega Prime

Mega Prime Development Limited (“**Mega Prime**”) is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of GBA Homeland Limited, which in turn is wholly owned by Greater Bay Area Homeland Investments Limited (“**GBAHIL**”). GBAHIL is a company incorporated in Hong Kong with limited liability and is jointly owned by a number of international large-scale industrial institutions, financial institutions and new economic enterprises, each of which holds less than 15% equity interest therein.

CORNERSTONE INVESTORS

GBAHIL's business encompasses investment, investment holding and the establishment or management of private equity funds through its subsidiaries to grasp the historical opportunities of the development of Guangdong-Hong Kong-Macao Greater Bay Area, and the construction of an international innovation and technology hub, focusing on technological innovation, industrial upgrading, quality of life, smart city and all other related industries.

Mega Prime subscribes for the Offer Shares through the account managed by Greater Bay Area Development Fund Management Limited (大灣區發展基金管理有限公司), a company wholly owned by GBAHIL and licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities in Hong Kong.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Underwriting Agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Sole Overall Coordinator (for themselves and on behalf of the underwriters of the Global Offering);
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

CORNERSTONE INVESTORS

- (e) the respective acknowledgements, representations, warranties, undertakings and confirmations of relevant Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the “**Lock-up Period**”), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountants' Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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

OVERVIEW

We are the leading Chinese premium beauty group, committed to offering consumers a comprehensive beauty experience characterized by high-quality beauty products, professional makeup artistry training, and experiential and personalized customer service. Founded in 2000 by a renowned makeup artist in China's beauty industry, Mr. Mao, we have established a strong presence in the beauty industry. We are the only domestic market player among the top ten premium beauty groups in China, ranking seventh based on the total retail sales of all premium brands owned by each group in 2023 with a market share of 1.8%, according to Frost & Sullivan.

We experienced rapid growth during the Track Record Period. Our revenue increased from RMB1,577.3 million in 2021 to RMB1,829.1 million in 2022 and further increased to RMB2,886.0 million in 2023, representing a CAGR of 35.3% from 2021 to 2023. Our total revenue also increased from RMB1,398.5 million in the six months ended June 30, 2023 to RMB1,971.5 million in the six months ended June 30, 2024. Our gross profit increased from RMB1,316.0 million in 2021 to RMB1,533.3 million in 2022 and further increased to RMB2,448.2 million in 2023, representing a CAGR of 36.4% from 2021 to 2023. Our gross profit also increased from RMB1,182.2 million in the six months ended June 30, 2023 to RMB1,673.6 million in the six months ended June 30, 2024. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we recorded net profits of RMB330.9 million, RMB352.1 million, RMB663.5 million, RMB349.3 million and RMB492.5 million, respectively. Eliminating impact of listing expenses and equity-settled share award expense,

FINANCIAL INFORMATION

we generated an adjusted net profit of RMB330.9 million, RMB352.1 million, RMB664.4 million, RMB349.3 million and RMB513.1 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Adjusted net profit is a non-HKFRS measure. See “— Non-HKFRS Measure.”

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with HKFRS (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). All HKFRS effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted on a consistent basis by our Group in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value. The preparation of the historical financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 3 to the Accountants’ Report included in Appendix I to this prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control, including the following:

Macroeconomic Environment and the Development of the Beauty Industry in China

Our business and operating results are affected by general factors affecting the beauty industry in China, which include:

- the development of China’s macro economy;
- change in per capita disposable income and per capita expenditure on beauty products;
- evolving consumption patterns and habits in China;
- continuous growth and evolving online and offline competitive landscape of China’s beauty industry; and
- governmental policies, initiatives and incentives affecting the beauty industry.

FINANCIAL INFORMATION

Unfavorable changes and any challenges in any of these general industry conditions could materially and adversely affect demand for our products and services, and therefore materially and adversely affect our results of operations.

Diverse Product and Service Portfolio

Our commitment to continuous innovation in product development has enabled us to establish a comprehensive product portfolio, which primarily include color cosmetics and skincare. We primarily sell our products under two beauty brands, namely our flagship brand MAOGEPING and Love Keeps. As of June 30, 2024, our product portfolio comprised 387 SKUs under these brands. Our color cosmetics include a wide range of products such as foundation, highlighting and contouring, eye and lip makeup products. Our skincare offerings comprehensively cover face creams, eye care, facial masks, serums and facial cleansers. Our revenue from product sales amounted to RMB1,495.1 million, RMB1,774.7 million, RMB2,781.9 million, RMB1,359.3 million and RMB1,900.0 million, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 94.8%, 97.0%, 96.4%, 97.2% and 96.4% of our total revenue of the same period, respectively. We endeavor to continue introducing new color cosmetics and skincare products.

In addition, we provide makeup artistry training and related sales on a diverse range of beauty-related topics in our Institutes of Makeup Artistry, where we teach techniques and knowledge in makeup and image design. We offer and conduct makeup artistry training programs nationwide. As of the Latest Practicable Date, we had established nine Institutes of Makeup Artistry in China. We continuously tailor our programs to the latest fashion trends and offer makeup artistry training programs that cater to customers with different aesthetic requirements. Our revenue from the provision of makeup artistry training and related sales amounted to RMB82.3 million, RMB54.4 million, RMB104.1 million, RMB39.3 million and RMB71.5 million, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 5.2%, 3.0%, 3.6%, 2.8% and 3.6% of our total revenue of the same period, respectively.

Expansion of Our Sales Network

During the Track Record Period, we sold our products via a variety of offline and online channels through direct sales and sales to distributors. Our comprehensive offline and online sales network have enabled us to have first-hand interactions with consumers, effectively gain significant exposure, build recognition of our brands and products. Over the past two decades, we have accumulated profound experience and expertise in dynamically adapting to the rapid evolvement of sales channels in China, facilitating our formulation and execution of future sales strategies. With the evolution of e-commerce platforms in recent years, we have broadened our online sales channels across different e-commerce platforms, such as Tmall, Xiaohongshu and Douyin, which allowed us to reach a broad consumer base. See “Business — Our Sales Network.”

FINANCIAL INFORMATION

Our offline sales channels are a critical part of our sales network, as we value the face-to-face interactions with our consumers which help increase the exposure and awareness of our brands and products. Our offline sales are mainly through offline direct sales primarily via our self-operated counters, sales to a premium multinational beauty retailer and sales to offline distributors. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had 308, 340, 357 and 372 self-operated counters, respectively. As of June 30, 2024, we operated 59 counters under the lease model and 313 counters under the concession model. Our same counter net profit increased during the Track Record Period in line with our same counter revenue. Our same counter net profit margin remained relatively stable during the Track Record Period. See “Business — Our Sales Network — Offline channels — Our Counter Network.” In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from offline sales channels amounted to RMB966.0 million, RMB1,080.5 million, RMB1,602.1 million, RMB788.3 million and RMB966.8 million, respectively, accounting for 64.6%, 60.8%, 57.6%, 58.0% and 50.9% of our revenue generated from the product sales of the same period. We believe that our offline sales channels, in particular, our counters in department stores, effectively connect our brand and products to consumers and maintain the reliable and premium brand image of MAOGEPING.

Our online sales channels have become an important part of our sales network, as these are tailored to the new consumption habits of consumers in China. Our online sales consist of (i) direct sales through our self-operated stores on e-commerce platforms, such as Tmall, Xiaohongshu and Douyin, and (ii) sales to online distributors on e-commerce platforms such as JD.com and Taobao. Some of our online distributors operate their own stores on the e-commerce platforms and sell our products to end consumers, whilst some sell our products to other merchants who in turn operate their own stores on e-commerce platforms and sell our products to end consumers. See “Business — Our Sales Network — Online Channels — Sales to Online Distributors” for details of our arrangements with online distributors. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from online sales channels amounted to RMB529.1 million, RMB694.3 million, RMB1,179.8 million, RMB571.0 million and RMB933.2 million, respectively, accounting for 35.4%, 39.2%, 42.4%, 42.0% and 49.1% of our total revenue generated from the product sales of the same period. In line with market practice, we also engaged select online distributors to expand and strengthen our presence in online channels. Our revenue generated from sales to online distributors amounted to RMB149.4 million, RMB178.4 million, RMB248.7 million, RMB118.8 million and RMB196.6 million, respectively, accounting for 10.0%, 10.1%, 8.9%, 8.7% and 10.3% of our total revenue generated from the product sales of the same period.

We plan to further enhance our ability to conduct both offline and online sales, and expand our sales network. Any changes in our sales channel mix may affect our overall gross margin and profitability.

FINANCIAL INFORMATION

Our Ability to Effectively and Efficiently Conduct Branding and Marketing Activities

The effectiveness of our branding and marketing activities is critical to our financial performance. We communicate with consumers through online and offline marketing activities. Our online marketing activities on e-commerce platforms allow us to effectively interact with consumers and promptly respond to changes in consumer demand. We also collaborate with KOLs to test and endorse our products through short videos, posts, or livestreaming sessions on popular social media platforms, which lays down a solid foundation for achieving optimal sales results. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our selling and distribution expenses amounted to RMB763.4 million, RMB962.4 million, RMB1,412.4 million, RMB657.8 million and RMB937.2 million, respectively, accounting for 48.4%, 52.6%, 48.9%, 47.0% and 47.5% of our revenue of the same period. Such an increase was largely in line with our business growth and driven by increased investment in our branding and marketing activities. We expect the absolute amounts of our selling and distribution expenses will continue to increase along with our business growth in the future. As we expand the scale and scope of our business, we expect to make continuous improvement to our selling and distribution efficiency and benefit from economies of scale. In particular, the marketing and promotion expenses under our selling and distribution expenses in absolute amount and as a percentage of revenue are also expected to increase, as we implement our branding and marketing initiatives.

In addition, we launched limited editions of color cosmetics that encapsulate industry trends, celebrate traditional cultures, and incorporate enhanced technology for enhanced application and wear. For instance, we collaborated with the Cultural and Creative Institute of the Palace Museum (故宮文創) and introduced the “Eastern Aura Elegance (氣蘊東方)” collection, which is in its fifth generation as of the Latest Practicable Date. We also developed the “Spark Shining (火花潤耀)” collection for TEAM CHINA’s national athletes as our sports collection. Such collaborations are an essential part of our branding and marketing efforts. Our ability to effectively conduct branding and marketing activities is crucial for us to maintain our strong brand reputation and market recognition, which affect our business growth and profitability.

Efficient Management of Supply Chain

Our ability to effectively manage business partners and integrate resources throughout our supply chain is the key to our business operation and the results of operations. We maintain stable cooperation with a number of raw material suppliers to ensure the adequate supply of raw materials, such as color cosmetics materials, skincare materials and packaging materials, and with reliable ODM/OEM providers to ensure the timely production of high-quality products that meet our quality control requirements. The costs of inventories sold amounted to RMB195.1 million, RMB230.8 million, RMB355.1 million, RMB178.5 million and RMB243.2 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, accounting for 74.6%, 78.0%, 81.1%, 82.5% and 81.6% of our total cost of sales for the same period.

FINANCIAL INFORMATION

In addition, we maintain close business relationships with third-party logistics providers. We leverage their strong distribution networks to achieve a highly efficient delivery chain from our warehouses to counters or directly to consumers. We plan to further manage and integrate our upstream resources through partnerships or investment in select qualified suppliers to safeguard continuous business expansion, achieve economies of scale and increase our profit margins. The logistics and transportation costs amounted to RMB22.1 million, RMB29.8 million, RMB45.2 million, RMB21.5 million and RMB35.0 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, accounting for 8.4%, 10.1%, 10.3%, 9.9% and 11.8% of our total cost of sales for the same period.

Leveraging our profound industry experience, we formulate procurement plans and manage inventories. We plan, manage and make procurement decisions based on consumer demand predictions and past sales performance. With their deep knowledge of the beauty industry, our procurement personnel purchase raw materials or finished goods and negotiate with outsourcing factories, the process of which is monitored by our Group. The procurement prices of our raw materials and finished goods, and the processing fees charged by the outsourcing factories for the labor, operations and work done may fluctuate with market conditions. We will continuously monitor supply and demand dynamics, which will enable us to timely communicate with our suppliers and adjust prices. We aim to further enhance our supply chain management capabilities to improve our operational and management efficiencies, and ultimately improve our financial performance.

Seasonality

Our results of operations are exposed to seasonal fluctuations in demand for our products. We typically experience higher product sales during public holidays, such as the New Year, the Chinese New Year, Christmas and shopping festivals. As such, we typically experience sales peaks during the fourth quarter of each year. We believe this pattern is likely to continue in the foreseeable future. See “Risk Factors — Risks Relating to Our Business and Industry — Our sales volume may fluctuate due to seasonality.”

IMPACT OF COVID-19 PANDEMIC ON OUR OPERATIONS

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the novel coronavirus disease 2019 (the “**COVID-19**”) outbreak a public health emergency of international concern, and on March 11, 2020, the World Health Organization declared the global COVID-19 outbreak a pandemic. The COVID-19 virus continued to spread rapidly worldwide in 2022, including where we have business operations and where our customers, suppliers and business partners are located. To contain the virus spread within our office premises and protect the well-being of our employees, we adopted various mitigation measures, such as remote working, social distancing and mask wearing, and other site-specific precautionary measures.

FINANCIAL INFORMATION

The COVID-19 pandemic has caused an economic recession, increased unemployment rates and other disruptions in many countries, adversely affecting the beauty industry. This industry is sensitive to general conditions in the global economy. Macroeconomic factors, such as the economic growth rate, per capita disposable income, employment levels, interest rates, inflation rates, exchange rates, commodity prices, demographic trends and fiscal policies of governments can all have, albeit to varying degrees, a significant effect on such industries. In times of recessions, orders for our goods may decrease and we may need to adjust our inventory levels and pricing. According to Frost & Sullivan, the market size of color cosmetics market in China, in terms of retail sales, grew from RMB93.0 billion in 2018 to RMB116.8 billion in 2023 representing a CAGR of 4.7%, whereas the CAGR from 2017 to 2019 was relatively higher at 10.7%. The difference in growth rates of the two periods was primarily due to the decrease in people's demand for makeup during the pandemic, resulting in a decline in the overall market size of the color cosmetics market. This resulted in a slower growth in our product sales in 2022. In addition, in response to the outbreak of COVID-19 in cities where our institutes of makeup artistry are located, we witnessed a decline in the aggregate number of participants enrolled in our makeup artistry training programs and affected our revenue in 2022. Accordingly, the revenue from the provision of makeup artistry training and related sales decreased from RMB82.3 million in 2021 to RMB54.4 million in 2022.

As the COVID-19 pandemic has since subsided, we do not anticipate further adverse impact on our business and financial performance.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial position and results of operations, are set forth in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

Revenue Recognition

Revenue from Contracts with Customers

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of Products

We primarily sell our products to customers through offline channels such as direct sales via self-operated counters, retailers and distributors and online channels such as direct online sales and distributors. Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods or upon the confirmation by the customer. Specifically, revenue from direct sales and consignment is recognized when the goods are delivered to consumers directly in the counters or when the goods are sent by express delivery to and accepted by consumers. Revenue from retailers and distributors is recognized when the goods are delivered to designated locations or transferred to designated carriers.

Some contracts for the sales of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

FINANCIAL INFORMATION

Rights of Return

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

Volume Rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

Membership Loyalty Program

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

Makeup Artistry Training and Related Sales

Revenue from the provision of makeup artistry training service is recognized over the training period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by our Group.

Other related sales mainly include the sale of beauty salon products to program participants in makeup training service, and the sale of recorded makeup training courses. Revenue from other related sales is recognized at the point in time when control of the asset is transferred to the customer or the service is rendered.

FINANCIAL INFORMATION

Other Income

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

Property, Plant and Equipment and Depreciation

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

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

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

Leasehold improvements	3 to 5 years
Motor vehicles	4 to 5 years
Office equipment	3 to 5 years
Buildings	20 to 30 years

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

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

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

FINANCIAL INFORMATION

Right-of-Use Assets

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

Self-operated counters	1-4 years
Office premises	1-11 years
Leasehold land	50 years

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

Lease Liabilities

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

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

Our lease liabilities are presented separately in the statement of financial position.

FINANCIAL INFORMATION

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Contract Liabilities

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

Provisions

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

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

We provide for warranties in relation to the sale of certain products for general replacement of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by our Group are initially recognized based on sales volume and past experience of the level of replacements, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Government Grants

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

FINANCIAL INFORMATION

SUMMARY OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Revenue	1,577,347	1,829,112	2,885,964	1,398,531	1,971,526
Cost of sales	(261,341)	(295,834)	(437,719)	(216,325)	(297,973)
Gross profit	1,316,006	1,533,278	2,448,245	1,182,206	1,673,553
Other income and gains	21,588	33,379	46,633	34,892	56,142
Selling and distribution expenses	(763,428)	(962,443)	(1,412,361)	(657,794)	(937,210)
Administrative expenses (Impairment losses)/ reversal of impairment losses on financial assets, net	(124,343)	(133,041)	(192,093)	(92,231)	(133,309)
Other expenses	(3,070)	(873)	998	405	752
Finance costs	(63)	(198)	(822)	(109)	(293)
Share of (loss)/profit of an associate	(2,805)	(3,115)	(2,033)	(1,132)	(2,561)
	—	—	(703)	—	535
Profit before tax	443,885	466,987	887,864	466,237	657,609
Income tax expense . . .	(112,942)	(114,892)	(224,394)	(116,932)	(165,063)
Profit and total comprehensive income for year/ period	330,943	352,095	663,470	349,305	492,546
Attributable to:					
Owners of the parent . .	331,016	352,082	661,928	348,944	492,074
Non-controlling interests	(73)	13	1,542	361	472
	330,943	352,095	663,470	349,305	492,546

FINANCIAL INFORMATION

NON-HKFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use adjusted net profit as an additional financial measure, which is not required by or presented in accordance with HKFRS. We believe this non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helps our management. However, such non-HKFRS financial measure may not be directly comparable to similar measures presented by other companies. The use of this non-HKFRS measure should not be considered as a substitute for analysis of our results of operations or financial condition as reported under HKFRS.

We define adjusted profit for the year/period (Non-HKFRS measure) as profit for the year/period adjusted by adding back listing expenses and equity-settled share award expense. The following table reconciles our adjusted profit for the year/period (Non-HKFRS measure) with profit for the year/period presented in accordance with HKFRS:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Profit for the year/ period	<u>330,943</u>	<u>352,095</u>	<u>663,470</u>	<u>349,305</u>	<u>492,546</u>
Add:					
Listing expenses ⁽¹⁾ . .	–	–	950	–	15,559
Equity-settled share award expense ⁽²⁾ . .	–	–	–	–	5,008
Adjusted profit for the year/period (Non-HKFRS measure)	<u>330,943</u>	<u>352,095</u>	<u>664,420</u>	<u>349,305</u>	<u>513,113</u>

Notes:

- (1) Listing expenses represent professional fees incurred in connection with the Global Offering.
- (2) Equity-settled share award expense mainly represents the arrangement that we receive services from employees as consideration for our equity instruments. Equity-settled share award expense is not expected to result in future cash payments.

FINANCIAL INFORMATION

Our adjusted profit for the year (Non-HKFRS measure) increased by 6.4% from RMB330.9 million in 2021 to RMB352.1 million in 2022, and further increased by 88.7% to RMB664.4 million in 2023. Our adjusted profit for the period (Non-HKFRS measure) increased by 46.9% from RMB349.3 million in the six months ended June 30, 2023 to RMB513.1 million in the six months ended June 30, 2024. Such increase throughout the Track Record Period was generally in line with the trend of our revenue growth and business expansion.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from sale of products in China.

Revenue by Business Line and Product Category

During the Track Record Period, our revenue was primarily derived from the sale of beauty products, which include color cosmetics and skincare products. See “Business — Our Business — Product Offerings.” We also provide makeup artistry training and related sales in our institutes.

The following table sets forth a breakdown of revenue by business line and product category in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,					
	2021		2022		2023		2023		2024			
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>		
	<i>(RMB in thousands, except for percentages)</i>											
	<i>(unaudited)</i>											
Product Sales												
– Color												
cosmetics . . .	1,026,354	65.1	1,002,772	54.8	1,622,185	56.2	755,364	54.0	1,085,050	55.1		
– Skincare	468,713	29.7	771,969	42.2	1,159,707	40.2	603,909	43.2	814,972	41.3		
Subtotal	1,495,067	94.8	1,774,741	97.0	2,781,892	96.4	1,359,273	97.2	1,900,022	96.4		
Makeup artistry training and related sales .	82,280	5.2	54,371	3.0	104,072	3.6	39,258	2.8	71,504	3.6		
Total	1,577,347	100.0	1,829,112	100.0	2,885,964	100.0	1,398,531	100.0	1,971,526	100.0		

FINANCIAL INFORMATION

Our overall growth in revenue during the Track Record Period was primarily driven by the product sales, which increased both in absolute amount and as a percentage of our total revenue. Revenue generated from the product sales accounted for 94.8%, 97.0%, 96.4%, 97.2% and 96.4% of our total revenue in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. We have developed a wide variety of beauty products tailored to the different needs of the consumers, including both color cosmetics and skincare products.

As our core products, we sold 6.9 million, 6.3 million, 9.7 million, 4.7 million and 6.6 million units of color cosmetics in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. As a result, the sales of our color cosmetics amounted to RMB1,026.4 million, RMB1,002.8 million, RMB1,622.2 million, RMB755.4 million and RMB1,085.1 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, representing 65.1%, 54.8%, 56.2%, 54.0% and 55.1% of our total revenue, respectively.

We also offer a vast selection of skincare products, such as face creams, eye care, facial masks, serums and facial cleansers. We sold 1.4 million, 2.2 million, 3.6 million, 1.9 million and 2.4 million units of skincare products in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. The sales of our skincare products amounted to RMB468.7 million, RMB772.0 million, RMB1,159.7 million, RMB603.9 million and RMB815.0 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 29.7%, 42.2%, 40.2%, 43.2% and 41.3% of our total revenue, respectively.

In addition, we provide makeup artistry training and related sales in our institutes, and revenue is recognized over the training period on a straight-line basis. During the Track Record Period, there was no forfeited income arising from the provision of makeup artistry training.

Revenue from Product Sales by Brand

The following table sets forth a breakdown of revenue from product sales by brand in absolute amounts and as a percentage of our total revenue from product sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Product Sales										
- MAOGEPING	1,444,612	96.6	1,745,748	98.4	2,754,971	99.0	1,346,229	99.0	1,886,702	99.3
- Love Keeps	50,455	3.4	28,993	1.6	26,921	1.0	13,044	1.0	13,320	0.7
Total	<u>1,495,067</u>	<u>100.0</u>	<u>1,774,741</u>	<u>100.0</u>	<u>2,781,892</u>	<u>100.0</u>	<u>1,359,273</u>	<u>100.0</u>	<u>1,900,022</u>	<u>100.0</u>

FINANCIAL INFORMATION

As our flagship brand, MAOGEPING was named after our founder, Mr. Mao, and was launched in 2000. Throughout the Track Record Period, we primarily derived our revenue from product sales of MAOGEPING, which contributed 96.6%, 98.4%, 99.0%, 99.0% and 99.3% of our total revenue from product sales in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. In 2008, we expanded our brand portfolio with the launch of Love Keeps, which contributed 3.4%, 1.6%, 1.0%, 1.0% and 0.7% of our total revenue from product sales in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Revenue from Product Sales by Sales Channel

During the Track Record Period, we sold our products through offline and online sales channels. We sold our products primarily via (i) offline channels, including offline direct sales primarily via our self-operated counters, sales to offline distributors, and sales to a premium multinational beauty retailer; and (ii) online channels, including online direct sales and sales to online distributors. Our online stores are operated on e-commerce platforms such as Tmall, Xiaohongshu and Douyin.

The following table sets forth a breakdown of revenue from product sales by sales channel in absolute amounts and as a percentage of our total revenue from product sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,					
	2021		2022		2023		2023		2024			
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>		
	<i>(RMB in thousands, except for percentages)</i>											
	<i>(unaudited)</i>											
Offline channels												
Offline direct sales ⁽¹⁾ . . .	859,299	57.5	978,769	55.1	1,438,182	51.7	707,001	52.0	875,282	46.1		
Sales to offline distributors	76,001	5.1	57,136	3.2	69,804	2.5	32,090	2.4	40,440	2.1		
Sales to a premium multinational beauty retailer	30,656	2.0	44,574	2.5	94,080	3.4	49,216	3.6	51,093	2.7		
Subtotal	965,956	64.6	1,080,479	60.8	1,602,066	57.6	788,307	58.0	966,815	50.9		
Online channels												
Online direct sales . . .	379,667	25.4	515,870	29.1	931,164	33.5	452,125	33.3	736,567	38.8		
Sales to online distributors	149,444	10.0	178,392	10.1	248,662	8.9	118,841	8.7	196,640	10.3		
Subtotal	529,111	35.4	694,262	39.2	1,179,826	42.4	570,966	42.0	933,207	49.1		
Total	1,495,067	100.0	1,774,741	100.0	2,781,892	100.0	1,359,273	100.0	1,900,022	100.0		

Note:

(1) Offline direct sales primarily relate to self-operated counters in department stores.

FINANCIAL INFORMATION

During the Track Record Period, the majority of our revenue was primarily derived from our product sales via offline channels. We offer our products mainly through counters in high-end department stores, complemented by our online channels, providing consumers with a consistent shopping experience. Our offline direct sales were primarily contributed by direct sales via self-operated counters. Our number of self-operated counters increased from 308 as of December 31, 2021 to 340 as of December 31, 2022, and further to 357 as of December 31, 2023. In addition, our average sales per counter continued to increase throughout the Track Record Period, as driven by our enhanced marketing efforts. Our revenue generated from offline direct sales amounted to RMB859.3 million, RMB978.8 million, RMB1,438.2 million, RMB707.0 million and RMB875.3 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, accounting for 57.5%, 55.1%, 51.7%, 52.0% and 46.1% of our revenue generated from the product sales of the same period.

However, the revenue contribution by our product sales via online channels demonstrated robust growth throughout the Track Record Period, which was in particular driven by our enhanced brand building and success in market engagement and online marketing strategy. We believe our collaborations with third-party e-commerce platforms allow us to tap into their established e-commerce ecosystem, enabling us to leverage their vast user base and technological infrastructure to enhance our brand visibility and increase consumer traffic. As such, we expanded our dedicated online sales team to support the expansion of our online direct sales. We also engaged select online distributors to expand and strengthen our presence in online channels. Revenue from product sales via our online channels increased from RMB529.1 million in 2021 to RMB694.3 million in 2022, and further to RMB1,179.8 million in 2023. Revenue from product sales via our online channels also increased from RMB571.0 million in the six months ended June 30, 2023 to RMB933.2 million in the six months ended June 30, 2024. The growth in online sales throughout the Track Record Period was mainly attributable to our enhanced online marketing efforts and contributed to the change in sales channel mix.

FINANCIAL INFORMATION

Cost of Sales

During the Track Record Period, our cost of sales consisted of (i) cost of inventories sold, (ii) employee benefit expenses, and (iii) logistics and transportation costs. Cost of inventories sold primarily includes (i) costs of raw materials and (ii) ODM/OEM expenses. The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Costs of inventories sold . . .	195,066	74.6	230,752	78.0	355,109	81.1	178,466	82.5	243,178	81.6
– Costs of raw materials ⁽¹⁾	117,050	44.7	152,771	51.6	225,038	51.4	116,604	53.9	139,325	46.7
– OEM/ODM expenses ⁽²⁾	78,016	29.9	77,981	26.4	130,071	29.7	61,862	28.6	103,853	34.9
Employee benefit expenses	22,163	8.5	18,652	6.3	19,021	4.3	8,397	3.9	11,259	3.8
Logistics and transportation costs	22,065	8.4	29,777	10.1	45,176	10.3	21,462	9.9	35,048	11.8
Depreciation and amortization	11,902	4.6	9,757	3.3	11,103	2.5	5,485	2.5	4,661	1.6
Others ⁽³⁾	10,145	3.9	6,896	2.3	7,310	1.8	2,515	1.2	3,827	1.2
Total	261,341	100.0	295,834	100.0	437,719	100.0	216,325	100.0	297,973	100.0

Notes:

- (1) Raw materials mainly include ingredients and packaging materials.
- (2) OEM/ODM expenses refer to the fees paid to our OEM/ODM partners to produce our products.
- (3) Others primarily include utilities and property management fees.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin by Business Line and Product Category

The following table sets forth our gross profit and gross profit margin by business line and product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross</i>	<i>Margin</i>	<i>Gross</i>	<i>Margin</i>	<i>Gross</i>	<i>Margin</i>	<i>Gross</i>	<i>Margin</i>	<i>Gross</i>	<i>Margin</i>
	<i>Profit</i>	(<i>%</i>)	<i>Profit</i>	(<i>%</i>)	<i>Profit</i>	(<i>%</i>)	<i>Profit</i>	(<i>%</i>)	<i>Profit</i>	(<i>%</i>)
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Product sales										
– Color										
cosmetics . . .	866,511	84.4	841,482	83.9	1,369,058	84.4	633,432	83.9	906,716	83.6
– Skincare . . .	411,426	87.8	672,730	87.1	1,012,548	87.3	525,913	87.1	715,080	87.7
Subtotal . . .	1,277,937	85.5	1,514,212	85.3	2,381,606	85.6	1,159,345	85.3	1,621,796	85.4
Makeup										
artistry										
training										
and related										
sales	38,069	46.3	19,066	35.1	66,639	64.0	22,861	58.2	51,757	72.4
Total	1,316,006	83.4	1,533,278	83.8	2,448,245	84.8	1,182,206	84.5	1,673,553	84.9

Our gross profit increased by 16.5% from RMB1,316.0 million in 2021 to RMB1,533.3 million in 2022 and further increased by 59.7% to RMB2,448.2 million in 2023. Our gross profit also increased by 41.6% from RMB1,182.2 million in the six months ended June 30, 2023 to RMB1,673.6 million in the six months ended June 30, 2024. Our gross profit margins remained relatively stable at 83.4%, 83.8%, 84.8%, 84.5% and 84.9% in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, primarily reflecting the stable gross profit margins of the sales generated from our color cosmetics and skincare products.

Our gross profit margins of makeup artistry training and related sales decreased from 46.3% in 2021 to 35.1% in 2022, primarily due to a decrease in number of participants that enrolled in our makeup artistry training programs in light of the restrictive measures in response to the COVID-19 pandemic in 2022, whilst the costs of operations of the institutes remained relatively stable. The costs of operations of the institutes primarily include rent, utilities, and salaries for our training personnel, which are fixed costs in nature. Our gross profit margins of makeup artistry training and related sales subsequently improved from 35.1% in 2022 to 64.0% in 2023, primarily due to a recovery of the number of participants enrolled in our makeup artistry training programs since the pandemic subsided in 2023. Our gross profit margins of makeup artistry training and related sales also increased from 58.2% in the six

FINANCIAL INFORMATION

months ended June 30, 2023 to 72.4% in the six months ended June 30, 2024, primarily due to an increase in the number of participants that enrolled in our makeup artistry training programs, whilst the costs of operations of the institutes remained relatively stable.

Gross Profit and Gross Profit Margin of Product Sales by Brand

The following table sets forth our gross profit and gross profit margin of our products by brand for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Product sales										
- MAOGEPING	1,243,921	86.1	1,494,642	85.6	2,364,377	85.8	1,150,934	85.5	1,613,675	85.5
- Love Keeps	34,016	67.4	19,570	67.5	17,229	64.0	8,411	64.5	8,121	61.0
Total	<u>1,277,937</u>	<u>85.5</u>	<u>1,514,212</u>	<u>85.3</u>	<u>2,381,606</u>	<u>85.6</u>	<u>1,159,345</u>	<u>85.3</u>	<u>1,621,796</u>	<u>85.4</u>

The gross profit generated from the sales of products was driven by the gross margins of products under the MAOGEPING brand throughout the Track Record Period. Gross profit margins of our products were relatively stable throughout the Track Record Period, which was at 85.5%, 85.3%, 85.6%, 85.3% and 85.4% in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin of Product Sales by Sales Channel

The following table sets forth our gross profit and gross profit margin of product sales by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
<i>Gross Profit</i>	<i>Margin</i>	<i>Gross Profit</i>	<i>Margin</i>	<i>Gross Profit</i>	<i>Margin</i>	<i>Gross Profit</i>	<i>Margin</i>	<i>Gross Profit</i>	<i>Margin</i>	<i>Gross Profit</i>
	(%)		(%)		(%)		(%)		(%)	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Offline channels										
Offline direct sales ⁽¹⁾	756,646	88.1	857,501	87.6	1,268,840	88.2	622,568	88.1	769,786	87.9
Sales to offline distributors	55,269	72.7	42,677	74.7	52,453	75.1	24,013	74.8	30,296	74.9
Sales to a premium multinational beauty retailer	20,199	65.9	29,548	66.3	65,726	69.9	33,222	67.5	34,266	67.1
Subtotal	832,114	86.1	929,726	86.0	1,387,019	86.6	679,803	86.2	834,348	86.3
Online channels										
Online direct sales	321,043	84.6	436,385	84.6	787,275	84.5	380,716	84.2	622,406	84.5
Sales to online distributors	124,780	83.5	148,101	83.0	207,312	83.4	98,826	83.2	165,042	83.9
Subtotal	445,823	84.3	584,486	84.2	994,587	84.3	479,542	84.0	787,448	84.4
Total	1,277,937	85.5	1,514,212	85.3	2,381,606	85.6	1,159,345	85.3	1,621,796	85.4

Note:

(1) Offline direct sales primarily relate to self-operated counters in department stores.

Our gross profit of product sales by both offline and online channels increased throughout the Track Record Period. In particular, the increase in the gross profit generated from product sales by our online channels was mainly attributable to our enhanced online marketing efforts. The increase in the gross profit generated from product sales by our offline channels was mainly attributable to (i) our enhanced offline sales and marketing efforts, and (ii) the lifting of restrictive measures in 2023 which promoted traffic in department stores where such counters are located.

The gross profit margins of products sales by both offline and online channels remained relatively stable during the Track Record Period. In particular, our online sales channels expanded significantly throughout the Track Record Period, which contributed to a change in sales channel mix.

FINANCIAL INFORMATION

Other Income and Gains

Our other income and gains primarily consist of government grants and bank interest income. During the Track Record Period, the government grants mainly included subsidies and financial assistance in relation to our contributions to the local economy. We expect to continue to receive such subsidies and financial assistance, certain of which are conditioned upon approval from or renewal of relevant agreements with competent government authorities.

The following table sets forth a breakdown of our other income and gains in absolute amounts and as a percentage of our total other income and gains for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Other Income										
Government grants . . .	12,776	59.2	16,277	48.8	25,103	53.8	24,526	70.4	47,972	85.4
Bank interest income . . .	6,809	31.5	13,678	41.0	19,779	42.4	9,430	27.0	6,223	11.1
Interest income from loans to related parties	-	-	-	-	-	-	-	-	193	0.3
Gross rental income from investment property operating leases	-	-	89	0.3	328	0.7	107	0.3	107	0.2
Others	1,009	4.7	1,354	4.0	928	2.0	714	2.0	1,043	1.9
Subtotal	20,594	95.4	31,398	94.1	46,138	98.9	34,777	99.7	55,538	98.9
Gains										
Gain on disposal of items of property, plant and equipment	130	0.6	9	0.0	23	0.1	-	-	242	0.5
Gain on terminations of leases, net	-	-	1,621	4.9	472	1.0	115	0.3	362	0.6
Investment income from financial assets at fair value through profit or loss	864	4.0	351	1.0	-	-	-	-	-	-
Subtotal	994	4.6	1,981	5.9	495	1.1	115	0.3	604	1.1
Total	21,588	100.0	33,379	100.0	46,633	100.0	34,892	100.0	56,142	100.0

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of employee benefits expenses in relation to selling and distribution staff, marketing and promotion expenses, department stores and other leased premises fees, and depreciation and amortization. Our selling and distribution expenses accounted for 48.4%, 52.6%, 48.9%, 47.0% and 47.5% of our revenue in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

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

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Employee benefits expenses	289,573	37.9	353,527	36.7	471,568	33.4	231,000	35.1	279,973	29.9
Marketing and promotion expenses.	223,015	29.2	320,471	33.3	556,696	39.4	247,756	37.7	435,566	46.5
Department stores and other leased premises fees ⁽¹⁾ . . .	177,210	23.2	191,936	19.9	268,227	19.0	130,255	19.8	153,972	16.4
Depreciation and amortization	32,717	4.3	38,888	4.0	45,164	3.2	22,126	3.4	23,804	2.5
Counter renovation expenses	15,628	2.0	25,863	2.7	23,658	1.7	9,988	1.5	15,757	1.7
Others ⁽²⁾	25,285	3.4	31,758	3.4	47,048	3.3	16,669	2.5	28,138	3.0
Total	763,428	100.0	962,443	100.0	1,412,361	100.0	657,794	100.0	937,210	100.0

Notes:

- (1) Department stores and other leased premises fees primarily include the rental and concession fees paid to department stores, where our counters are located.
- (2) Others primarily include warehousing and logistics service fees, entertainment and travel expenses, product testing fees and system maintenance fees.

Our marketing and promotion expenses are affected by the channels and platforms on which we conduct advertisements or conduct online and offline marketing activities as we dynamically adapt to the fast evolvement of sales channels in China. We employ a content-driven marketing and branding strategy to build our brand reputation. For instance, we organized an art show at the Deshou Palace Museum during the Southern Song Dynasty

FINANCIAL INFORMATION

Cultural Festival in 2022. We also collaborated with our sales channels to organize the “Light and Shadow 20th Anniversary” campaign with Tmall, an “Oriental Selection”— themed event with Douyin, and Brand Day and Member Day events at our counters. See “Business — Branding and Marketing.” Our marketing and promotion expenses increased from RMB223.0 million in 2021 to RMB320.5 million in 2022, and further to RMB556.7 million in 2023. Our marketing and promotion expenses also increased from RMB247.8 million in the six months ended June 30, 2023 to RMB435.6 million in the six months ended June 30, 2024. Such increase in marketing and promotion expenses throughout the Track Record Period was primarily due to our efforts devoted to online and offline marketing activities.

In addition, department stores and other leased premises fees increased from RMB177.2 million in 2021 to RMB191.9 million in 2022, and further to RMB268.2 million in 2023. Department stores and other leased premises fees also increased from RMB130.3 million in the six months ended June 30, 2023 to RMB154.0 million in the six months ended June 30, 2024. Such increase throughout the Track Record Period was generally in line with the increase in the number of counters and average sales per counter.

Administrative Expenses

Our administrative expenses primarily consist of employee benefits expenses in relation to administrative staff, sales tax and surcharges, product development costs, depreciation and amortization, office, utility and business expenses, and professional and consulting fees. Our administrative expenses accounted for 7.9%, 7.3%, 6.7%, 6.6% and 6.8% of our revenue in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

The following table sets forth a breakdown of our administrative expenses in absolute amounts and as a percentage of our total administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Employee benefits expenses	59,254	47.7	68,014	51.1	83,303	43.4	39,803	43.2	53,634	40.2
Sales tax and surcharges . . .	14,746	11.9	17,855	13.4	31,652	16.5	16,339	17.7	21,957	16.5
Product development costs	13,703	11.0	14,548	10.9	23,975	12.5	12,195	13.2	15,267	11.4
Depreciation and amortization . . .	15,776	12.7	17,524	13.2	13,051	6.8	6,089	6.6	7,430	5.6

FINANCIAL INFORMATION

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Office, utilities and property management fees	6,198	5.0	5,258	4.0	5,720	3.0	2,870	3.1	4,116	3.1
Professional and consulting fees ⁽¹⁾	5,660	4.6	4,713	3.5	19,917	10.4	9,660	10.5	7,201	5.4
Listing expenses . .	-	-	-	-	950	0.5	-	0.0	15,559	11.7
Business entertainment and travel expenses	5,573	4.5	4,373	3.3	5,355	2.8	2,183	2.4	3,603	2.7
Others ⁽²⁾	3,433	2.6	756	0.6	8,170	4.1	3,092	3.3	4,542	3.4
Total	124,343	100.0	133,041	100.0	192,093	100.0	92,231	100.0	133,309	100.0

Notes:

- (1) Professional and consulting fees are mainly in relation to the engagement of professional service firms, and primarily include audit fees, legal service fees, recruitment fees and consultancy fees.
- (2) Others primarily related to bank charges, conference-related expenses, and training fees.

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net are primarily related to our trade and bills receivables. Our impairment losses on financial assets, net amounted to RMB3.1 million and RMB0.9 million in 2021 and 2022 respectively, and we recorded a reversal of impairment losses on financial assets, which amounted to RMB1.0 million in 2023. Our reversal of impairment losses on financial assets, net amounted to RMB0.4 million and RMB0.8 million in the six months ended June 30, 2023 and 2024, respectively.

Other Expenses

Our other expenses primarily consist of donations and depreciation of investment properties. Our other expenses amounted to RMB63 thousand, RMB0.2 million, RMB0.8 million, RMB0.1 million and RMB0.3 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Finance Costs

Our finance costs mainly represent interest on lease liabilities. Our finance costs amounted to RMB2.8 million, RMB3.1 million, RMB2.0 million, RMB1.1 million and RMB2.6 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which members of our Group are domiciled and operate. See Note 10 of the Accountants' Report in Appendix I to this prospectus.

PRC

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

The provision for PRC enterprise income tax (“EIT”) is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of our Group as determined in accordance with EIT Law which was approved and became effective on January 1, 2008.

During the year of 2021, Hangzhou Diyue and six subsidiaries of Mao Geping Image Design were qualified as small and micro enterprises and were subject to preferential income tax rate of 2.5% for the first RMB1.0 million of assessable profits and 10% for the assessable profits between RMB1.0 million and RMB3.0 million.

During the year of 2022, Hangzhou Diyue, seven subsidiaries of Mao Geping Image Design and Hangzhou Love Keeps were qualified as small and micro enterprises and were subject to preferential income tax rate of 2.5% for the first RMB1.0 million of assessable profits and 5% for the assessable profits between RMB1.0 million and RMB3.0 million.

During the year of 2023 and the six months ended June 30, 2024, Shanghai Diyue, Chongqing Diyue and seven subsidiaries of Mao Geping Image Design were qualified as small and micro enterprises and were subject to preferential income tax rate of 5% for the first RMB3.0 million of assessable profits.

As of the Latest Practicable Date, we did not have any dispute with any tax authority. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any tax investigation, enquiries, penalties or surcharges.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2024 Compared with Six Months Ended June 30, 2023

Revenue

Our revenue increased by 41.0% from RMB1,398.5 million in the six months ended June 30, 2023 to RMB1,971.5 million in the six months ended June 30, 2024, primarily due to an increase in product sales.

- Our revenue attributable to product sales via our offline channels increased by 22.6% from RMB788.3 million in the six months ended June 30, 2023 to RMB966.8 million in the six months ended June 30, 2024, primarily due to an increase in offline direct sales from RMB707.0 million in the six months ended June 30, 2023 to RMB875.3 million in the six months ended June 30, 2024. This was mainly attributable to the average sales per counter increased in the six months ended June 30, 2024 as driven by our enhanced sales and marketing efforts.
- Our revenue attributable to product sales via our online channels increased by 63.4% from RMB571.0 million in the six months ended June 30, 2023 to RMB933.2 million in the six months ended June 30, 2024, primarily due to (i) an increase in online direct sales from RMB452.1 million in the six months ended June 30, 2023 to RMB736.6 million in the six months ended June 30, 2024, and (ii) an increase in sales to online distributors from RMB118.8 million in the six months ended June 30, 2023 to RMB196.6 million in the six months ended June 30, 2024. This was mainly attributable to our enhanced sales and marketing activities on e-commerce platforms.
- Our revenue attributable to makeup artistry training and related sales increased by 82.1% from RMB39.3 million in the six months ended June 30, 2023 to RMB71.5 million in the six months ended June 30, 2024, primarily due to an increase in the number of participants enrolled in our makeup artistry training programs.

Cost of Sales

Our cost of sales increased by 37.7% from RMB216.3 million in the six months ended June 30, 2023 to RMB298.0 million in the six months ended June 30, 2024 in line with the increase in sales volume.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Our gross profit increased by 41.6% from RMB1,182.2 million in the six months ended June 30, 2023 to RMB1,673.6 million in the six months ended June 30, 2024. Our gross profit margin increased from 84.5% in the six months ended June 30, 2023 to 84.9% in the six months ended June 30, 2024, primarily due to improvements of gross profit margins across both business lines.

In particular, the gross profit margin of makeup artistry training and related sales improved significantly, because the number of participants enrolled increased in the first six months of 2024, whilst the costs of operations of the institutes remained relatively stable.

Other Income and Gains

Our other income and gains increased from RMB34.9 million in the six months ended June 30, 2023 to RMB56.1 million in the six months ended June 30, 2024, primarily due to an increase in government grants paid to us in the first six months of 2024.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 42.5% from RMB657.8 million in the six months ended June 30, 2023 to RMB937.2 million in the six months ended June 30, 2024, primarily due to (i) an increase in marketing and promotion expenses driven by our increased marketing activities; and (ii) an increase in employee benefit expenses as the number of sales staff increased in the six months ended June 30, 2024, so as to support our business expansion.

Administrative Expenses

Our administrative expenses increased by 44.5% from RMB92.2 million in the six months ended June 30, 2023 to RMB133.3 million in the six months ended June 30, 2024, primarily due to (i) an increase in listing expenses in relation to the Global Offering, (ii) an increase in employee benefits expenses, and (iii) an increase in sales tax and surcharges in line with our revenue growth.

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets, Net

Our reversal of impairment losses, net amounted to RMB0.4 million in the six months ended June 30, 2023 and reversal of impairment losses on financial assets amounted to RMB0.8 million in the six months ended June 30, 2024, primarily due to subsequent recovery of trade and bills receivables.

Other Expenses

Our other expenses remained relatively stable at RMB0.1 million and RMB0.3 million in the six months ended June 30, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased by 126.2% from RMB1.1 million in the six months ended June 30, 2023 to RMB2.6 million in the six months ended June 30, 2024, respectively.

Income Tax Expense

Our income tax expense amounted to RMB116.9 million in the six months ended June 30, 2023 and RMB165.1 million in the six months ended June 30, 2024 in line with the increase in profit before tax.

Profit for the Period

As a result of the foregoing, our profit for the period was RMB349.3 million and RMB492.5 million in the six months ended June 30, 2023 and 2024, respectively.

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenue

Our revenue increased by 57.8% from RMB1,829.1 million in 2022 to RMB2,886.0 million in 2023, primarily due to an increase in product sales.

- Our revenue attributable to product sales via our offline channels increased by 48.3% from RMB1,080.5 million in 2022 to RMB1,602.1 million in 2023, primarily due to an increase in offline direct sales from RMB978.8 million in 2022 to RMB1,438.2 million in 2023. This was mainly attributable to the average sales per counter increased in 2023 as driven by (i) our enhanced sales and marketing efforts, and (ii) the lifting of restrictive measures in 2023 which promoted traffic in department stores where such counters are located.
- Our revenue attributable to product sales via our online channels increased by 69.9% from RMB694.3 million in 2022 to RMB1,179.8 million in 2023, primarily due to (i) an increase in online direct sales from RMB515.9 million in 2022 to RMB931.2 million in 2023, and (ii) an increase in sales to online distributors from RMB178.4 million in 2022 to RMB248.7 million in 2023. This was mainly attributable to our enhanced sales and marketing activities on e-commerce platforms.
- Our revenue attributable to makeup artistry training and related sales increased by 91.4% from RMB54.4 million in 2022 to RMB104.1 million in 2023, primarily due to an increase in the number of participants enrolled in our makeup artistry training programs since the pandemic subsided.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales increased by 48.0% from RMB295.8 million in 2022 to RMB437.7 million in 2023 in line with the increase in sales volume, benefitting from economies of scale.

Gross Profit and Gross Profit Margin

Our gross profit increased by 59.7% from RMB1,533.3 million in 2022 to RMB2,448.2 million in 2023. Our gross profit margin slightly increased from 83.8% in 2022 to 84.8% in 2023, primarily due to improvements of gross profit margins across both business lines. In particular, the gross profit margin of makeup artistry training and related sales improved significantly, because the number of participants enrolled increased in 2023, whilst the costs of operations of the institutes remained relatively stable.

Other Income and Gains

Our other income and gains increased from RMB33.4 million in 2022 to RMB46.6 million in 2023, primarily due to (i) an increase in government grants in 2023; and (ii) an increase in bank interest income.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 46.8% from RMB962.4 million in 2022 to RMB1,412.4 million in 2023, primarily due to (i) an increase in marketing and promotion expenses driven by our increased marketing activities; and (ii) an increase in employee benefit expenses as the number of sales staff increased in 2023, so as to support our business expansion.

Administrative Expenses

Our administrative expenses increased by 44.4% from RMB133.0 million in 2022 to RMB192.1 million in 2023, primarily due to (i) an increase in professional and consulting fees in relation to our financing activities, and (ii) an increase in employee benefits expenses. The increase in professional and consulting fees from RMB4.7 million in 2022 to RMB19.9 million in 2023 was mainly attributable to the accrual of fees in light of our Previous Listing Attempt. See “History, Development and Corporate Structure — Previous A-Share Listing Attempt.”

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets, Net

Our impairment losses, net amounted to RMB0.9 million in 2022 and reversal of impairment losses on financial assets amounted to RMB1.0 million in 2023, primarily due to subsequent recovery of trade and bills receivables.

FINANCIAL INFORMATION

Other Expenses

Our other expenses increased from RMB0.2 million in 2022 to RMB0.8 million in 2023, primarily due to an increased expenditure on donations and certain late payment fees. Such fees were incurred in relation to the late payment of certain consumption tax on premium cosmetics, which was one-off in nature.

Finance Costs

Our finance costs decreased by 35.5% from RMB3.1 million in 2022 to RMB2.0 million in 2023, primarily due to the decrease in interest on lease liabilities, which was in relation to the rental of self-operated counters, office space and premises for our institutes in 2023. As the leases of certain premises in Beijing and Shanghai were terminated in relation to our makeup artistry training institutes, the corresponding interest on lease liabilities decreased.

Income Tax Expense

Our income tax expense amounted to RMB114.9 million in 2022 and RMB224.4 million in 2023 in line with the increase in profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year was RMB352.1 million and RMB663.5 million in 2022 and 2023, respectively.

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

Revenue

Our revenue increased by 16.0% from RMB1,577.3 million in 2021 to RMB1,829.1 million in 2022, primarily due to an increase in product sales.

- Our revenue attributable to product sales via our offline channels increased by 11.9% from RMB966.0 million in 2021 to RMB1,080.5 million in 2022, primarily due to an increase in sales volume, which was mainly attributable to an increase in offline direct sales from RMB859.3 million in 2021 to RMB978.8 million in 2022. This was mainly attributable to an increase in the number of counters, and the average sales per counter increased in 2022 as driven by our enhanced marketing efforts, despite the restrictive measures implemented in 2022. However, our sales to offline distributors decreased by 24.8% from RMB76.0 million in 2021 to RMB57.1 million in 2022, primarily due to (i) a decrease in offline distributors from 30 as of December 31, 2021 to 17 as of December 31, 2022, and (ii) the performance of offline distributors being negatively impacted by the COVID-19 pandemic. In 2022,

FINANCIAL INFORMATION

we ceased cooperation with 23 offline distributors as part of our strategic move to consolidate and optimize the offline distribution network for Love Keeps. See “Business — Our Sales Network — Offline Channels — Sales to Offline Distributors.”

- Our revenue attributable to product sales via our online channels increased by 31.2% from RMB529.1 million in 2021 to RMB694.3 million in 2022, primarily due to (i) an increase in online direct sales from RMB379.7 million in 2021 to RMB515.9 million in 2022, and (ii) an increase in sales to online distributors from RMB149.4 million in 2021 to RMB178.4 million in 2022. This was mainly attributable to our enhanced sales and marketing activities on e-commerce platforms.
- Our revenue attributable to makeup artistry training and related sales decreased by 33.9% from RMB82.3 million in 2021 to RMB54.4 million in 2022, primarily due to a decrease in the number of participants enrolled in our makeup artistry training programs as a result of the restrictive measures implemented in 2022.

Cost of Sales

Our cost of sales increased by 13.2% from RMB261.3 million in 2021 to RMB295.8 million in 2022 in line with the increase in sales volume, benefiting from economies of scale.

Gross Profit and Gross Profit Margin

Our gross profit increased by 16.5% from RMB1,316.0 million in 2021 to RMB1,533.3 million in 2022. Our gross profit margin increased from 83.4% in 2021 to 83.8% in 2022, primarily due to an increase in product sales in 2022, which were of higher margin than makeup artistry training and related sales.

In particular, our gross profit margins of makeup artistry training and related sales decreased from 46.3% in 2021 to 35.1% in 2022, primarily due to a decrease in the number of participants enrolled in our makeup artistry training programs, which was mainly attributable to the restrictive measures implemented in response to the COVID-19 pandemic in 2022. Despite the lower enrollment, the operational costs of the institutes remained relatively stable during this period.

Other Income and Gains

Our other income and gains increased from RMB21.6 million in 2021 to RMB33.4 million in 2022, primarily due to (i) an increase in bank interest income; and (ii) an increase in government grants in 2022.

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses increased by 26.1% from RMB763.4 million in 2021 to RMB962.4 million in 2022, primarily due to (i) an increase in marketing and promotion expenses driven by our increased marketing activities; and (ii) an increase in employee benefit expenses as the number of sales staff increased in 2022, so as to support our business expansion.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB124.3 million and RMB133.0 million in 2021 and 2022, respectively.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net, amounted to RMB3.1 million in 2021 and RMB0.9 million in 2022, primarily due to the expected credit losses on trade and bills receivables.

Other Expenses

Our other expenses increased from RMB63 thousand in 2021 to RMB0.2 million in 2022, primarily due to an increased expenditure on donations and depreciation of investment properties.

Finance Costs

Our finance costs increased by 10.7% from RMB2.8 million in 2021 to RMB3.1 million in 2022, primarily due to an increase in interest on lease liabilities, which was in relation to the rental of self-operated counters, office space and institute premises in 2022.

Income Tax Expense

Our income tax expense amounted to RMB112.9 million in 2021 and RMB114.9 million in 2022 in line with the increase in profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year was RMB330.9 million and RMB352.1 million in 2021 and 2022, respectively.

FINANCIAL INFORMATION

DISCUSSION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Total current assets	896,053	1,334,413	1,698,017	1,177,173
Total non-current assets	234,891	221,497	396,551	659,128
Total assets	1,130,944	1,555,910	2,094,568	1,836,301
Total current liabilities	289,806	390,063	529,305	762,753
Total non-current liabilities	58,717	31,331	17,277	28,708
Total liabilities	348,523	421,394	546,582	791,461
Net current assets	606,247	944,350	1,168,712	414,420
Net assets	782,421	1,134,516	1,547,986	1,044,840
 EQUITY				
Equity attributable to				
owners of the parent				
Share capital	60,000	60,000	60,000	200,000
Reserves	721,660	1,073,742	1,485,670	842,852
Non-controlling interests	761	774	2,316	1,988
Total equity	782,421	1,134,516	1,547,986	1,044,840

FINANCIAL INFORMATION

Non-Current Assets and Liabilities

The following table sets out a breakdown of our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(RMB in thousands)</i>			
Non-Current Assets				
Property, plant and equipment . . .	125,424	117,383	167,971	218,273
Prepayment for				
leasehold land	–	–	–	296,345
Investment properties	–	3,286	3,164	3,104
Right-of-use assets	80,265	54,116	52,054	69,092
Other intangible assets	513	1,006	2,555	2,531
Investment in an associate	–	–	9,297	32,069
Prepayments, other receivables				
and other assets	490	954	118,540	–
Deferred tax assets	28,199	44,752	42,970	37,714
Total non-current assets	<u>234,891</u>	<u>221,497</u>	<u>396,551</u>	<u>659,128</u>
Non-Current Liabilities				
Lease liabilities	58,717	31,331	17,277	28,708
Total non-current liabilities . . .	<u>58,717</u>	<u>31,331</u>	<u>17,277</u>	<u>28,708</u>

Property, Plant, and Equipment

Our property, plant, and equipment primarily comprised of buildings, office equipment, motor vehicles and leasehold improvements. Our property, plant and equipment decreased by 6.4% from RMB125.4 million as of December 31, 2021 to RMB117.4 million as of December 31, 2022, primarily due to the lease of certain buildings as investment properties. Our property, plant and equipment increased by 43.1% from RMB117.4 million as of December 31, 2022 to RMB168.0 million as of December 31, 2023, primarily due to ongoing construction of our production facilities in Hangzhou. Our property, plant and equipment increased by 29.9% from RMB168.0 million as of December 31, 2023 to RMB218.3 million as of June 30, 2024, primarily due to the ongoing construction of our Hangzhou R&D Center.

Investment Properties

Our investment properties primarily comprised of an office premise in Qingdao. We began to lease this property in Qingdao to an independent third party in 2022. As such, this property was reclassified into investment properties, which amounted to RMB3.3 million,

FINANCIAL INFORMATION

RMB3.2 million and RMB3.1 million as of December 31, 2022 and 2023 and June 30, 2024. We believe such lease to our tenant allows us to utilize idle spaces in our properties. As our business operations continue to expand, we may cease these leases and use the space for our own operations.

Right-of-Use Assets

Our right-of-use assets primarily comprised of leasehold land, office premises and self-operated counters. Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Our right-of-use assets decreased by 32.6% from RMB80.3 million as of December 31, 2021 to RMB54.1 million as of December 31, 2022, primarily due to (i) the accumulated depreciation in relation to these assets, and (ii) the termination and modification of leases for our institutes of makeup artistry training. Our right-of-use assets remained relatively stable at RMB54.1 million and RMB52.1 million as of December 31, 2022 and 2023. Our right-of-use assets increased from RMB52.1 million as of December 31, 2023 to RMB69.1 million as of June 30, 2024, primarily due to the increase in leases for counters in department stores, which was in line with our business expansion.

Current Assets and Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Current assets					
Inventories	209,741	299,473	342,206	312,571	337,381
Trade and bills receivables	110,879	113,499	157,677	233,746	258,925
Prepayments, other receivables and other assets	31,492	32,188	56,990	75,769	68,912
Financial assets at fair value through profit or loss	51,000	–	–	–	–
Restricted cash	1,366	1,354	3,250	2,187	35,167
Cash and cash equivalents	491,575	887,899	1,137,894	552,900	585,061
Total current assets	896,053	1,334,413	1,698,017	1,177,173	1,285,446

FINANCIAL INFORMATION

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Current liabilities					
Trade payables	43,138	112,940	103,589	147,644	114,867
Other payables and accruals	156,537	193,982	299,367	375,667	414,778
Interest-bearing bank and other borrowings	–	1,726	–	100,000	220,000
Provision	–	–	374	98	98
Lease liabilities	21,511	21,404	21,683	25,797	25,058
Tax payable	68,620	59,980	103,157	113,045	87,582
Due to related parties	–	31	1,135	502	97,085
Total current liabilities . . .	<u>289,806</u>	<u>390,063</u>	<u>529,305</u>	<u>762,753</u>	<u>959,468</u>
Net current assets	<u>606,247</u>	<u>944,350</u>	<u>1,168,712</u>	<u>414,420</u>	<u>325,978</u>

Our net current assets decreased by 21.3% from RMB414.4 million as of June 30, 2024 to RMB326.0 million as of October 31, 2024, primarily due to (i) an increase in interest-bearing bank and other borrowings of RMB120.0 million, and (ii) an increase in due to related parties of RMB96.6 million, partially offset by an increase in cash and cash equivalents of RMB32.2 million.

Our net current assets decreased by 64.5% from RMB1,168.7 million as of December 31, 2023 to RMB414.4 million as of June 30, 2024, primarily due to (i) a decrease in cash and cash equivalents of RMB585.0 million, (ii) an increase in interest-bearing bank and other borrowings of RMB100.0 million, (iii) an increase in other payables and accruals of RMB76.3 million, and (iv) an increase in trade payables of RMB44.1 million, and partially offset by an increase in trade and bills receivables of RMB76.1 million. In particular, the cash and cash equivalents decreased from RMB1,137.9 million as of December 31, 2023 to RMB552.9 million as of June 30, 2024, primarily due to the payment of dividends declared. We recorded a dividends payable of RMB25.0 million as of December 31, 2023, which was fully paid in January 2024. In addition, at our shareholders' general meetings held in February 2024 and April 2024, we declared dividends of RMB500.0 million and RMB500.0 million to all shareholders, respectively, which were fully paid in March 2024 and May 2024, respectively.

Our net current assets increased by 23.8% from RMB944.4 million as of December 31, 2022 to RMB1,168.7 million as of December 31, 2023, primarily due to (i) an increase in cash and cash equivalents of RMB250.0 million, (ii) an increase in trade and bills receivables of RMB44.2 million, and (iii) an increase in inventories of RMB42.7 million, partially offset by an increase in other payables and accruals of RMB105.4 million and an increase in tax payable of RMB43.2 million.

FINANCIAL INFORMATION

Our net current assets increased by 55.8% from RMB606.2 million as of December 31, 2021 to RMB944.4 million as of December 31, 2022, primarily due to (i) an increase in cash and cash equivalents of RMB396.3 million, and (ii) an increase in inventories of RMB89.7 million, partially offset by an increase in trade payables of RMB69.8 million and a decrease in financial assets at fair value through profit or loss of RMB51.0 million.

Inventories

Our inventories comprised of finished goods, raw materials, and work in progress. The following table sets forth the carrying amount of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Inventories				
Finished goods	154,281	219,191	290,267	249,462
Raw materials	27,893	37,908	19,624	15,666
Work in progress	27,567	42,374	32,315	47,443
Total	<u>209,741</u>	<u>299,473</u>	<u>342,206</u>	<u>312,571</u>

Our inventories increased from RMB209.7 million as of December 31, 2021 to RMB299.5 million as of December 31, 2022, and further to RMB342.2 million as of December 31, 2023, primarily due to an increase in the level of finished goods, which was in line with (i) the increase in the number of our counters and the increase in average sales per counter, and (ii) our growth in online sales channels. Our inventories decreased from RMB342.2 million as of December 31, 2023 to RMB312.6 million as of June 30, 2024, primarily due to an increase in sales volume.

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

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Within 1 year	195,490	258,996	293,782	269,701
1-2 years	9,943	37,047	41,236	37,231
2-3 years	4,016	3,095	6,924	4,998
Over 3 years	292	335	264	641
Total	<u>209,741</u>	<u>299,473</u>	<u>342,206</u>	<u>312,571</u>

FINANCIAL INFORMATION

As of June 30, 2024, the inventories that aged over three years amounted to RMB0.6 million, representing 0.2% of total inventories, which is insignificant.

Our management team reviews the inventory aging, product expiration dates and turnover analysis of inventories periodically, and we organize promotions for slow-moving products. Our management estimates the net realizable value for such inventories primarily based on the latest invoice prices and current market conditions. A write-down of inventories to net realizable value is made based on the estimated net realizable value of inventories, taking into account inventory aging, product expirations date and turnover. The assessment of provision requires the management's estimates and judgment. Where the actual outcome or expectation in the future differs from the estimates, the change in carrying value of inventories results in the write-down/write-back of inventories in the period in which such estimate has been changed. Accordingly, the provisions in relation to our inventories amounted to RMB4.1 million, RMB6.3 million, RMB7.9 million and RMB7.3 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

The following table sets forth the turnover days of our inventory for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Inventory turnover days ⁽¹⁾ . .	232.6	320.6	273.5	202.4

Note:

- (1) Inventory turnover days for a period equals the average of the gross value of the opening and closing inventories balance divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period (i.e. 365 days for a fiscal year and 180 days for the six months ended June 30, 2024).

In 2021, 2022, 2023 and the six months ended June 30, 2024, our inventory turnover days were 232.6 days, 320.6 days, 273.5 days and 202.4 days respectively. As we engaged ODM/OEM providers for the production of our products throughout the Track Record Period, the production lead time is generally three to four months, resulting in long inventory turnover days. We recorded longer inventory turnover days in 2022 than in 2021, primarily due to the impact of COVID-19 resulting in lower-than-anticipated sales volume in 2022. In particular, as offline sales constitute majority of our total revenue, our offline sales channels were adversely affected in 2022. Our inventory turnover days in 2023 were shorter than those in 2022, as a result of higher sales growth rate since the pandemic subsided. Our sales volume across both online and offline sales channels improved in 2023 and the six months ended June 30, 2024. Our inventory turnover days further decreased from 273.5 days in 2023 to 202.4 days in the six months ended June 30, 2024, primarily due to higher sales growth rate in 2024.

FINANCIAL INFORMATION

The average shelf life of our products is generally four years. According to Frost & Sullivan, the industry average of inventory turnover days is generally between 100 and 300 days for beauty companies that mainly engage OEM/ODM providers for their production. Our inventory turnover days are within the range of industry average, primarily because we increased our safety inventory level to accommodate our increasing sales volume.

As of October 31, 2024, RMB176.8 million, or approximately 55.3% of our inventory balance as of June 30, 2024, had been sold or utilized. The relatively low subsequent usage of inventories was primarily due to (i) the relatively long production cycles of our products, and (ii) the stocking up in anticipation of shopping festivals such as “Double Eleven.” We are of the view that there is no material recoverability issue for our inventories, given the relatively long shelf life of our products.

Trade and Bills Receivables

Trade and bills receivables are amounts due for goods sold in the ordinary course of business. For instance, we granted credit terms to certain department stores and e-commerce platforms during the Track Record Period. Such credit terms typically range from 30 days to 60 days, and we also impose a maximum credit limit on such counterparties. We seek to maintain strict control over our outstanding receivables. Our finance department is responsible for minimizing credit risks. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risks.

The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Trade receivables	115,554	114,898	159,523	236,166
Bills receivable	–	1,726	–	–
Impairment	(4,675)	(3,125)	(1,846)	(2,420)
Total	<u>110,879</u>	<u>113,499</u>	<u>157,677</u>	<u>233,746</u>

Our trade and bills receivables increased from RMB110.9 million as of December 31, 2021 to RMB113.5 million as of December 31, 2022, and further to RMB157.7 million as of December 31, 2023, in line with our business growth. Our trade and bills receivables further increased from RMB157.7 million as of December 31, 2023 to RMB233.7 million as of June 30, 2024, in line with our business growth. We typically grant longer credit terms of 30 to 60 days to department stores as compared to those granted in other sales channels.

FINANCIAL INFORMATION

As of December 31, 2021, 2022 and 2023 and June 30, 2024, certain bills receivable accepted by banks in the PRC (the “**Discounted Bills**”) were discounted to the banks in Mainland China with a carrying amount in aggregate of nil, RMB1,726,000, nil and nil, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Bills have a right of recourse against our Group if such banks default (the “**Continuing Involvement**”). Our Group has not transferred substantially all risks and rewards relating to the Discounted Bills. The maximum exposure to loss from our Group’s Continuing Involvement in the Discounted Bills and the undiscounted cash flows to repurchase these Discounted Bills is equal to their carrying amounts. The fair values of our Continuing Involvement in the Discounted Bills are not significant.

In view of the sound collection history of trade and bills receivables, our management believes that the credit risk inherent in our outstanding trade and bills receivable balances is not significant and the general provision made is sufficient.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Within 3 months	112,251	112,142	157,778	234,306
3 to 6 months	398	790	585	767
6 to 12 months	–	337	246	1
1 to 2 years	944	722	7	185
Over 2 years	<u>1,961</u>	<u>907</u>	<u>907</u>	<u>907</u>
Total	<u>115,554</u>	<u>114,898</u>	<u>159,523</u>	<u>236,166</u>

The following table sets forth the turnover days of our trade and bills receivables for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Trade and bills receivable turnover days ⁽¹⁾	23.7	23.2	17.5	18.1

Note:

- (1) Trade and bills receivable turnover days for a period equals the average of the gross value of the opening and closing trade and bills receivables balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period (i.e. 365 days for a fiscal year and 180 days for the six months ended June 30, 2024).

FINANCIAL INFORMATION

In 2021, 2022 and 2023, our trade and bills receivable turnover days were 23.7 days, 23.2 days and 17.5 days, respectively. The turnover days of trade and bills receivables decreased throughout the Track Record Period, primarily due to the increased proportion of our product sales from online channels, which generally have faster trade and bills receivable turnover. Our trade and bills receivable turnover days remained relatively stable at 17.5 days and 18.1 days in the six months ended June 30, 2023 and 2024, respectively.

As of October 31, 2024, RMB233.0 million, or approximately 98.7% of our trade receivables as of June 30, 2024 had been settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily comprise of (i) prepayments, and (ii) deposits and other receivables. The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Prepayments	17,164	19,926	37,539	39,744
Deferred listing expenses	–	–	–	8,591
Deposits and other receivables	14,246	12,041	137,841	21,864
Deductible input value-added tax	2,343	3,670	3,127	7,270
Tax recoverable	271	293	92	43
Impairment allowance	(2,042)	(2,788)	(3,069)	(1,743)
Total	<u>31,982</u>	<u>33,142</u>	<u>175,530</u>	<u>75,769</u>

Our prepayments, other receivables and other assets decreased from RMB175.5 million as of December 31, 2023 to RMB75.8 million as of June 30, 2024, primarily due to (i) a bidding deposit paid in 2023 for a parcel of leasehold land in Mainland China, which was transferred to prepayment for leasehold land in January 2024, and (ii) our prepayments paid to third-party marketing agents for offline advertising activities, partially offset by a decrease in deposits and other receivables.

Our prepayments, other receivables and other assets increased from RMB33.1 million as of December 31, 2022 to RMB175.5 million as of December 31, 2023, primarily due to (i) an increase in deposits and other receivables; and (ii) an increase in our prepayments paid to third-party platforms for social media marketing activities. We entered into an agreement in relation to the acquisition of the land use rights in relation to a parcel of land in Hangzhou in January 2024 and paid a bid deposit for a land use right of RMB118.5 million in December

FINANCIAL INFORMATION

2023. Total consideration was agreed at RMB592.7 million, which is expected to be financed by our internal resources without using the net proceeds from the Global Offering. We intend to construct our headquarters on this parcel of land.

Our prepayments, other receivables and other assets remained relatively stable at RMB32.0 million and RMB33.1 million as of December 31, 2021 and 2022.

As of October 31, 2024, RMB46.7 million, or approximately 61.6% of our prepayments, other receivables and other assets as of June 30, 2024 had been settled.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss as of the end of the period during the Track Record Period mainly represented unlisted investments at fair value. See Note 21 to the Accountants' Report included in Appendix I to this prospectus. The current financial product portfolio could be subject to the impact of macroeconomic environment conditions, and we monitor the portfolio mix closely. We had financial assets at fair value through profit or loss of RMB51.0 million as of December 31, 2021, and have since disposed of these financial assets. We have not purchased any such products thereafter, and thus did not record any financial assets at fair value through profit or loss as of December 31, 2022, 2023 and June 30, 2024, respectively.

We have adopted a comprehensive set of internal policies and guidelines to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such products. Our management, including our finance department, has extensive experience in managing the financial aspects of an enterprise's operations. Upon the Listing, we intend to continue our investments strictly in accordance with our internal control policy, Articles of Association and, to the extent that such investment is a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

Our investment strategy related to such products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to structured deposits and low risk wealth management products, after thoroughly considering a number of factors, including, but not limited to, macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment.

FINANCIAL INFORMATION

Trade Payables

Our trade payables primarily represent material costs and fees in relation to our ODM/OEM services to our suppliers. The trade payables are non-interest-bearing and are generally settled within 60 days. The following table sets forth our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Trade payables	43,138	112,940	103,589	147,644

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Within 3 months	42,504	112,211	103,193	141,605
4 to 6 months	71	660	116	4,661
6 to 12 months	41	5	180	1,175
Over 1 year	522	64	100	203
	43,138	112,940	103,589	147,644

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year Ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Trade payable turnover days ⁽¹⁾	61.3	96.3	90.3	75.9

Note:

- (1) Trade payables turnover days were calculated based on the average of opening and closing balance of trade payables for the relevant year, divided by the cost of sales for the same period, and multiplied by the number of days in the relevant period (i.e. 365 days for a fiscal year and 180 days for the six months ended June 30, 2024).

FINANCIAL INFORMATION

Our trade payable turnover days increased from 61.3 days in 2021 to 96.3 days in 2022, primarily due to the delayed settlement of trade payables in 2022. The delayed settlement was mainly attributable to the prolonged reconciliation process with our suppliers during the pandemic. Our trade payable turnover days subsequently decreased from 96.3 days in 2022 to 90.3 days in 2023, primarily due to the enhanced settlement efforts, which was partially offset by the increased procurement volume to meet our expanding sales volume. Our trade payable turnover days decreased from 90.3 days in 2023 to 75.9 days in the six months ended June 30, 2024, primarily due to the timely reconciliation with our suppliers and settlement in the six months ended June 30, 2024 since the pandemic subsided.

As of October 31, 2024, RMB144.5 million, or approximately 97.9% of our trade payables as of June 30, 2024 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily comprise of (i) contract liabilities, (ii) other payables, (iii) taxes payable other than corporate income tax, (iv) accruals, and (v) payroll payable.

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

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Contract liabilities ⁽¹⁾	55,071	62,921	86,100	108,041
Other payables	15,583	16,230	40,943	67,100
Refund liabilities ⁽²⁾	–	–	766	1,276
Taxes payable other than corporate income tax	18,935	21,447	30,491	54,321
Accruals	9,984	34,125	33,334	58,127
Payroll payable	56,964	59,241	82,389	86,591
Advances from customer	–	18	344	211
Dividends payable	–	–	25,000	–
Total	156,537	193,982	299,367	375,667

Notes:

- (1) Contract liabilities mainly related to (i) points in our membership programs, and (ii) short-term advances received from customers in relation to makeup training programs and product sales to distributors.

FINANCIAL INFORMATION

- (2) Refund liabilities represented the obligation arising from right of return to refund some or all of the consideration received (or receivable) from a customer. Our Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each year/period of the Track Record Period.

Our other payables and accruals increased from RMB156.5 million as of December 31, 2021 to RMB194.0 million as of December 31, 2022, primarily due to (i) an increase in contract liabilities in line with our business growth, and (ii) an increase in accruals. Such accruals were mainly related to the increased sales via online channels during shopping festivals at the end of 2022, which resulted in an increase in fees payable to our service providers.

Our other payables and accruals further increased from RMB194.0 million as of December 31, 2022 to RMB299.4 million as of December 31, 2023, primarily due to (i) dividends payable of RMB25.0 million which was declared in May 2023, (ii) an increase in payroll payable, and (iii) an increase in other payables. In particular, the increase in payroll payable was mainly attributable to an increase in the number of employees to meet our business expansion, including additional sales personnel at our newly opened counters, and training personnel at our institutes in 2023. The increase in other payables was mainly related to payables and deposits in relation to the construction of our headquarters in Hangzhou. In addition, the accruals recorded in 2023 were mainly in relation to the fees payable to professional service firms for its financing activities.

Our other payables and accruals increased from RMB299.4 million as of December 31, 2023 to RMB375.7 million as of June 30, 2024, primarily due to (i) an increase in contract liabilities in line with our business growth, (ii) an increase in taxes payable other than corporate income tax, and (iii) an increase in accruals. Such accruals were mainly related to an increase in fees payable to our service providers for (i) the increased sales via online channels during shopping festivals at the end of 2023, and (ii) the marketing and promotion expenses as a result of our efforts devoted to online marketing activities.

As of October 31, 2024, RMB53.9 million, or approximately 49.9% of our contract liabilities as of June 30, 2024 had been recognized as revenue.

As of October 31, 2024, RMB250.2 million, or approximately 66.6% of our other payables and accruals as of June 30, 2024 had been settled.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from proceeds from our business operations and capital contribution from shareholders. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations and the net proceeds from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future.

FINANCIAL INFORMATION

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Cash generated from					
operations	390,870	528,224	878,942	430,413	768,940
Income tax paid	(90,939)	(140,107)	(179,234)	(84,322)	(149,870)
Net cash generated from					
operating activities	<u>299,931</u>	<u>388,117</u>	<u>699,708</u>	<u>346,091</u>	<u>619,070</u>
Net cash flows (used in)/					
from investing					
activities	<u>(84,495)</u>	<u>30,899</u>	<u>(194,707)</u>	<u>(19,816)</u>	<u>(249,288)</u>
Net cash flows used in					
financing activities	<u>(65,561)</u>	<u>(22,692)</u>	<u>(255,006)</u>	<u>(240,947)</u>	<u>(954,776)</u>
Net increase/(decrease) in					
cash and cash					
equivalents	149,875	396,324	249,995	85,328	(584,994)
Cash and cash equivalents					
at beginning of					
year/period	341,700	491,575	887,899	887,899	1,137,894
Cash and cash equivalents					
at end of year/period . .	<u>491,575</u>	<u>887,899</u>	<u>1,137,894</u>	<u>973,227</u>	<u>552,900</u>

Net Cash Flows from Operating Activities

Our cash from operating activities consists primarily of profit before income tax from our product sales and the provision of makeup artistry training and related sales, as adjusted by (i) non-cash and non-operating items such as depreciation of property, plant and equipment; and (ii) changes in working capital.

In the six months ended June 30, 2024, our net cash flows generated from operating activities were RMB619.1 million, which represents our profit before taxation of RMB657.6 million, as adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB19.0 million and amortization of right-of-use of RMB17.8 million, and (ii) changes in working capital, primarily comprising a decrease in inventories of RMB30.3 million and an increase in trade and bills receivables of RMB76.6 million.

FINANCIAL INFORMATION

In 2023, we had net cash generated from operating activities of RMB699.7 million, which represents our profit before taxation of RMB887.9 million, as adjusted by (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB40.1 million, and (ii) changes in working capital, primarily comprising an increase in inventories of RMB44.3 million and an increase in trade and bills receivables of RMB44.6 million.

In 2022, we had net cash generated from operating activities of RMB388.1 million, which represents our profit before taxation of RMB467.0 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB39.7 million; and (ii) changes in working capital, primarily comprising an increase in inventories of RMB91.9 million and an increase in trade and bills receivables of RMB2.9 million.

In 2021, we had net cash generated from operating activities of RMB299.9 million, which represents our profit before taxation of RMB443.9 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB37.6 million; and (ii) changes in working capital, primarily comprising an increase in inventories of RMB94.7 million and an increase in trade and bills receivables of RMB26.4 million.

Net Cash Flows (Used in)/from Investing Activities

Our cash used in investing activities consists primarily of the purchases of items of land use right, purchase of property, plant and equipment, and purchase of financial assets at fair value through profit or loss. Our cash generated from investing activities consists primarily of proceeds from disposal of financial assets at fair value through profit or loss, repayment of bid deposit for land use right, and proceeds from disposal of items of property, plant and equipment.

In the six months ended June 30, 2024, our net cash flows used in investing activities were RMB249.3 million, primarily due to (i) prepayment for leasehold land of RMB177.8 million; (ii) purchase of a shareholding in an associate of RMB22.2 million; and (iii) purchases of items of property, plant and equipment of RMB55.6 million.

In 2023, our net cash flows used in investing activities were RMB194.7 million, primarily due to (i) payment of a bid deposit for land use right of RMB118.5 million; and (ii) purchases of items of property, plant and equipment of RMB72.2 million.

In 2022, our net cash flows generated from investing activities were RMB30.9 million, primarily due to proceeds from disposal of financial assets at fair value through profit or loss of RMB51.0 million, as adjusted by purchase of items of property, plant and equipment of RMB33.1 million.

FINANCIAL INFORMATION

In 2021, our net cash flows used in investing activities were RMB84.5 million, primarily due to (i) purchase of financial assets at fair value through profit or loss of RMB51.0 million and (ii) purchase of items of property, plant and equipment of RMB41.1 million, as adjusted by interest received of RMB6.8 million.

Net Cash Flows from Financing Activities

Our cash generated from financing activities primarily consists of proceeds from bank borrowings and capital injection from the non-controlling shareholder of a subsidiary. Our cash used in financing activities primarily consists of dividend paid, repayment of principal portion of lease liabilities, and interest paid.

In the six months ended June 30, 2024, our net cash flows used in financing activities were RMB954.8 million, primarily due to (i) dividend paid to the then shareholders of a subsidiary of RMB1,025.0 million and (ii) repayment of principal portion of lease liabilities of RMB18.9 million.

In 2023, our net cash flows used in financing activities were RMB255.0 million, primarily due to (i) dividend paid of RMB225.0 million; and (ii) repayment of principal portion of lease liabilities of RMB28.0 million.

In 2022, our net cash flows used in financing activities were RMB22.7 million, primarily due to (i) repayment of principal portion of lease liabilities of RMB21.3 million; and (ii) interest paid of RMB3.1 million, as adjusted by proceeds from bank borrowings of RMB1.7 million.

In 2021, our net cash flows used in financing activities were RMB65.6 million, primarily due to (i) dividend paid of RMB40.0 million; (ii) repayment of principal portion of lease liabilities of RMB23.1 million; and (iii) interest paid of RMB2.8 million, as adjusted by capital injection from non-controlling shareholders of RMB0.4 million.

FINANCIAL INFORMATION

INDEBTEDNESS

During the Track Record Period, our indebtedness included interest-bearing bank and other borrowings and lease liabilities. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Interest-bearing bank and other borrowings	–	1,726	–	100,000	220,000
Lease liabilities	<u>80,228</u>	<u>52,735</u>	<u>38,960</u>	<u>54,505</u>	<u>46,524</u>
Total	<u>80,228</u>	<u>54,461</u>	<u>38,960</u>	<u>154,505</u>	<u>266,524</u>

In March 2024, we obtained banking facilities of RMB300.0 million from a reputable commercial bank in China, of which RMB28.0 million were unutilized and unrestricted as of the Latest Practicable Date. Our banking facilities are typically valid for one year and would be renewed from the start of the following year. Our Directors confirmed that there has not been any material change in our indebtedness since the Latest Practicable Date to the date of this prospectus. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date.

The Directors further confirm that the Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Interest-Bearing Bank and Other Borrowings

As of December 31, 2021, 2022 and 2023, June 30, 2024, and October 31, 2024, we had total borrowings of nil, RMB1.7 million, nil, RMB100.0 million, and RMB220.0 million, respectively. Such borrowings included discounted bills as of December 31, 2022 and interest-bearing bank loans as of October 31, 2024. The discounted bills and bank loans bore an effective interest rate of 2-2.15% and 1-1.25% per annum, respectively.

Lease Liabilities

Our lease liabilities primarily comprised of lease contracts for office premises and self-operated counters.

FINANCIAL INFORMATION

Our lease liabilities decreased by 34.3% from RMB80.2 million as of December 31, 2021 to RMB52.7 million as of December 31, 2022, and further decreased by 26.1% to RMB39.0 million as of December 31, 2023, primarily due to payment of lease liabilities. Our lease liabilities subsequently increased by 39.9% from RMB39.0 million as of December 31, 2023 to RMB54.5 million as of June 30, 2024, primarily due to the increased number of leased properties in light of our business expansion. As of June 30, 2024, we had lease liabilities of RMB25.8 million shown under current liabilities.

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2021, 2022, 2023, June 30, 2024, and October 31, 2024, respectively.

Indebtedness Statement

Except as disclosed above, as of October 31, 2024, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. In March 2024, we obtained banking facilities of RMB300.0 million, of which RMB28.0 million were unutilized and unrestricted as of the Latest Practicable Date. Our Directors have confirmed that there is no other material change in our indebtedness since October 31, 2024 and up to the date of this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/Year ended December 31,			As of/Six months ended June 30,
	2021	2022	2023	2024
Gross profit margin ⁽¹⁾	83.4%	83.8%	84.8%	84.9%
Net profit margin ⁽²⁾	21.0%	19.2%	23.0%	25.0%
Return on equity ⁽³⁾	52.0%	36.7%	49.5%	76.0%
Return on total assets ⁽⁴⁾	35.9%	26.2%	36.3%	50.1%
Current ratio ⁽⁵⁾	3.1	3.4	3.2	1.5
Quick ratio ⁽⁶⁾	2.4	2.7	2.6	1.1

Notes:

- (1) Gross profit margin equals gross profit for the year/period divided by revenues for the respective year/period and multiplied by 100%.

FINANCIAL INFORMATION

- (2) Net profit margin equals profit for the year/period divided by revenues for the respective year/period and multiplied by 100%.
- (3) Return on equity equals (annualized) net profit divided by the arithmetic mean of the opening and closing balances of total equity, and multiplied by 100%.
- (4) Return on total assets equals (annualized) net profit divided by the average of the beginning and ending balances of total assets multiplied by 100%.
- (5) Current ratio equals total current assets divided by total current liabilities as of the relevant dates.
- (6) Quick ratio equals total current assets less inventories divided by total current liabilities as of the relevant dates.

Return on Equity

Our return on equity increased from 49.5% as of December 31, 2023 to 76.0% as of June 30, 2024, primarily due to an increase in our net profit for the period.

Our return on equity increased from 36.7% as of December 31, 2022 to 49.5% as of December 31, 2023, primarily due to an increase in our net profit for the year.

Our return on equity decreased from 52.0% as of December 31, 2021 to 36.7% as of December 31, 2022, primarily due to an increase in total equity for the year.

Return on Total Assets

Our return on total assets increased from 36.3% as of December 31, 2023 to 50.1% as of June 30, 2024, primarily due to an increase in our net profit for the period.

Our return on total assets increased from 26.2% as of December 31, 2022 to 36.3% as of December 31, 2023, primarily due to an increase in our net profit for the year.

Our return on total assets decreased from 35.9% as of December 31, 2021 to 26.2% as of December 31, 2022, primarily due to an increase in our total assets for the year, which was mainly attributable to the increase in cash and cash equivalents of RMB396.3 million in 2022.

Current Ratio

Our current ratio decreased from 3.2x as of December 31, 2023 to 1.5x as of June 30, 2024, primarily due to (i) a decrease in total current assets, which was mainly attributable to a decrease in cash and cash equivalents of RMB585.0 million; and (ii) an increase in our total current liabilities, which was mainly attributable to an increase in other payables and accruals of RMB76.3 million, and an increase in tax payable of RMB9.9 million, partially offset by an increase in trade and bills receivables of RMB76.1 million.

FINANCIAL INFORMATION

Our current ratio decreased from 3.4x as of December 31, 2022 to 3.2x as of December 31, 2023, primarily due to an increase in our total current liabilities, which was mainly attributable to (i) an increase in other payables and accruals of RMB105.4 million, and (ii) an increase in tax payable of RMB43.2 million, partially offset by an increase in our total current assets, which was mainly attributable to an increase in cash and cash equivalents of RMB250.0 million.

Our current ratio increased from 3.1x as of December 31, 2021 to 3.4x as of December 31, 2022, primarily due to an increase in our total current assets, which was mainly attributable to (i) an increase in cash and cash equivalents of RMB396.3 million, and (ii) an increase in inventories of RMB89.7 million, partially offset by an increase in our current liabilities, which was mainly attributable to an increase in trade payables of RMB69.8 million.

Quick Ratio

Our quick ratio decreased from 2.6x as of December 31, 2023 to 1.1x as of June 30, 2024, primarily due to an increase in our total current liabilities, which was mainly attributable to (i) an increase in interest-bearing bank and other borrowings of RMB100.0 million, (ii) an increase in other payables and accruals of RMB76.3 million, (iii) an increase in trade payables of RMB44.1 million, and (iv) an increase in tax payable of RMB9.9 million.

Our quick ratio decreased from 2.7x as of December 31, 2022 to 2.6x as of December 31, 2023, primarily due to an increase in our total current liabilities, which was mainly attributable to (i) an increase in other payables and accruals of RMB105.4 million; and (ii) an increase in tax payable of RMB43.2 million.

Our quick ratio increased from 2.4x as of December 31, 2021 to 2.7x as of December 31, 2022, primarily due to an increase in our total current assets, which was mainly attributable to an increase in cash and cash equivalents of RMB396.3 million, partially offset by (i) an increase in inventories of RMB89.7 million; and (ii) an increase in our current liabilities, which was mainly attributable to an increase in trade payables of RMB69.8 million.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of expenditures for the prepayment for and purchase of leasehold land and the purchase of items of property, plant and equipment. The table below sets forth our capital expenditure for the periods indicated:

	Years ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Prepayment for leasehold land	–	–	–	177,805
Purchase of leasehold land . .	–	–	12,654	–
Purchase of items of property, plant and equipment	41,057	33,145	72,193	55,590
Additions to other intangible assets	490	1,282	1,312	435
Total	<u>41,547</u>	<u>34,427</u>	<u>86,159</u>	<u>233,830</u>

In 2021, 2022, 2023 and the six months ended June 30, 2024, our capital expenditures were primarily related to the prepayment for and purchase of leasehold land and the purchase of items of property, plant and equipment. We funded these expenditures mainly with cash generated from our operations.

Commitments

During the Track Record Period, our contractual commitments were mainly related to construction in progress and leasehold land. Our Group had the following contractual commitments as of the indicated dates:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Leasehold land	–	–	–	296,345
Construction in progress . . .	–	–	137,260	112,647
Total	<u>–</u>	<u>–</u>	<u>137,260</u>	<u>408,992</u>

FINANCIAL INFORMATION

The contractual commitment as of December 31, 2023 amounted to RMB137.3 million, which was related to the ongoing construction of our production facility in Hangzhou and Hangzhou R&D Center. The contractual commitment as of June 30, 2024 amounted to RMB409.0 million, which was related to (i) the ongoing construction of our production facility in Hangzhou and Hangzhou R&D Center, and (ii) the acquisition of land use rights in relation to a parcel of land in Hangzhou in January 2024. A prepayment amounting to RMB296,345,000 was made by us as of June 30, 2024 in relation to the production facility in Hangzhou and our headquarters, with the remaining consideration to be paid in January 2025. Besides the above contractual commitments, we entered into an investment and development agreement with the local governmental authority for a parcel of land in January 2024, pursuant to which we agreed to use the parcel of land for the construction of its headquarters to be completed within an agreed-upon timeframe and with total construction and installment costs of no less than RMB400,000,000. See Note 32 to the Accountants' Report included in Appendix I to this prospectus.

Following the Global Offering, we will continue to incur capital expenditures to grow our business. We plan to fund our planned capital expenditures primarily with cash flows generated from our operations, bank borrowings, and the net proceeds received from the Global Offering. See "Future Plans and Use of Proceeds." We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. There was an outstanding balance as of December 31, 2022 in relation to payments made by Shanghai Mao Geping Image Design Art Vocational Training Institution, which amounted to RMB31,000 and was in relation to our business operation expenses (trade in nature). Such amounts due to this related party were unsecured, interest-free and repayable on demand. Our Directors are of the view that each of the related party transactions set out in Note 33 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

We had obtained the land use right certificate for a parcel of land located in Hangzhou, Zhejiang, with a site area of 11,960 sq.m, in October 2024. See “Business – Properties – Owned Properties.” Our Independent Property Valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, has valued this property as of October 31, 2024 at RMB623.0 million. Details of the valuation are summarized in Appendix III to this prospectus.

FINANCIAL RISKS DISCLOSURE

Our Group’s principal financial instruments include cash and cash equivalents. The main purpose of these financial instruments is to raise finance for our Group’s operations. Our Group has various other financial assets and liabilities such as other receivables and other assets, other payables and accruals and trade payables, which arise directly from its operations.

The main risks arising from our Group’s financial instruments are credit risk and liquidity risk.

Credit Risk

Our Group trades mainly with recognized and creditworthy third parties. It is our Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Liquidity Risk

Our Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

Our Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of other borrowings.

Capital Management

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

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

FINANCIAL INFORMATION

We monitor capital using a gearing ratio, which is debt divided by total assets. Debt includes lease liabilities, trade payables, other payables and accruals and interest-bearing bank and other borrowings.

DIVIDENDS AND DIVIDEND POLICY

At our shareholders' general meetings held in March 2021 and May 2023, we declared dividends of RMB40.0 million and RMB250.0 million to all shareholders, respectively. In March 2021 and May 2023, we paid dividends of RMB40.0 million and RMB225.0 million to all shareholders, respectively. In addition, we recorded a dividends payable of RMB25.0 million as of December 31, 2023, which was fully paid in January 2024.

At our shareholders' general meeting held in February 2024, we declared dividends of RMB500.0 million to all shareholders. In March 2024, we paid dividends of RMB500.0 million to all shareholders.

At our shareholders' general meeting held in April 2024, we declared dividends of RMB500.0 million to all shareholders, which were fully paid in May 2024. Other than the aforementioned dividends, our accrued consolidated retained earnings before the Global Offering will be shared among our existing shareholders and new shareholders.

Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. We currently do not have any fixed dividend pay-out ratio. Our Shareholders in a general meeting may approve any declaration of dividends recommended by our Board.

DISTRIBUTABLE RESERVES

As of June 30, 2024, we had distributable reserves of RMB538.8 million, which were available for distribution to our equity shareholders.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and cash equivalents, we have sufficient working capital for our present requirements, that is at least 12 months from the date of this prospectus. After making reasonable inquiries of our management about our working capital, nothing has come to the Sole Sponsor's attention that would reasonably cause it to cast doubt on the Directors' view above.

FINANCIAL INFORMATION

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB125.2 million (assuming an Offer Price of HK\$28.05 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Offer Size Adjustment Option and the Over-allotment Option), representing 6.8% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB25.1 million, of which RMB16.5 million was charged to the consolidated statements of profit or loss and other comprehensive income as administrative expenses and RMB8.6 million will be deducted from equity. We expect to incur additional listing expenses of approximately RMB100.1 million, of which approximately RMB22.2 million is expected to be recognized in the consolidated statements of profit or loss and other comprehensive income as administrative expenses and approximately RMB77.9 million is expected to be recognized as a deduction in equity directly upon the Listing. Our Directors do not expect such expenses to materially impact our results of operations in 2024. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB73.2 million; and (ii) non-underwriting related expenses of approximately RMB52.0 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB28.3 million and other fees and expenses of approximately RMB23.7 million.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Appendix II — Unaudited Pro Forma Financial Information.”

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2024, being the end date of the periods reported on in the Accountants’ Report included in Appendix I to this document, and there is no event since June 30, 2024 that would materially affect the information as set out in the Accountants’ Report included in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$28.05 per Share (being the mid-point of the Offer Price Range stated in this prospectus), we estimate that we will receive net proceeds of approximately HK\$1,844.5 million from the Global Offering after deducting the underwriting commission and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 25.0% of the net proceeds, or HK\$461.1 million, is expected to be used for expanding our sales network, including:
 - (i) approximately 10.0% of the net proceeds, or HK\$184.5 million, will be used for expanding our offline sales channels, including: (a) opening new brand stores and counters, and (b) upgrading our existing counters, so as to improve the shopping experience of our customers. Specifically, we plan to open approximately 30 new counters in department stores per year in China, and approximately two to four new counters per year in overseas markets. Further, we plan to open three stores under our flagship brand MAOGEPING in the next three to five years in China. We also plan to upgrade and refurbish approximately 70 to 100 of our existing counters per year; and
 - (ii) approximately 15.0% of the net proceeds, or HK\$276.6 million, will be used for expanding our online sales channels, including: (a) recruiting more e-commerce sales personnel to support our expanding online presence, (b) increasing online advertisements of our brands, and (c) purchasing various service packages from e-commerce and social media platforms. Specifically, service packages from e-commerce and social media platforms allow us to increase the viewership exposure of our products. We typically engage such services during new product launches, branding activities and shopping festivals;
- approximately 20.0% of the net proceeds, or HK\$369.0 million, is expected to be used for our branding activities, including:
 - (i) approximately 10.0% of the net proceeds, or HK\$184.5 million, will be used for our marketing activities of our brands and products, including: (a) organizing offline events, such as makeup shows and product launches, and (b) sponsoring high-profile events; and

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 10.0% of the net proceeds, or HK\$184.5 million, will be used for our content-based promotion activities of our brands and products to raise our brand awareness, including: (a) collaborating with reputable KOLs to create high-quality promotional content, and (b) producing promotional videos and documentaries;
- approximately 15.0% of the net proceeds, or HK\$276.6 million, is expected to be used for overseas expansion and acquisitions, including:
 - (i) approximately 7.5% of the net proceeds, or HK\$138.3 million, for (a) building awareness of our brands and store opening in overseas markets, especially in Europe, America and Asia Pacific, (b) enhancing our brand recognitions in those markets via online and offline channels and conducting activities such as new product launches and KOL events, and (c) building a proprietary official online store to serve overseas markets. Specifically, we plan to introduce products with the essence of light and shadow makeup artistry and oriental aesthetics, and the ingredients used in such products would be tailored to the distinct characteristics and needs of local consumers; and
 - (ii) approximately 7.5% of the net proceeds, or HK\$138.3 million, for potential strategic investments and acquisition opportunities both in China and overseas. We plan to conduct business acquisitions including equity interest or partnership investment and/or asset acquisitions that will strengthen our value propositions to our customers. Our focus will be on targets that align with our premium market position, offer complementary products to our existing offerings, and possess production capabilities along our supply chain. For instance, we intend to pursue suitable targets to establish our R&D center and product design teams in overseas markets. These targets should meet the following criteria: (i) product R&D capabilities, (ii) production capabilities, and (iii) prospects for profitability. According to Frost & Sullivan, there are potential acquisition and investment targets in the premium beauty industry, both in China and overseas, that could be strategically valuable for our growth and expansion;
- approximately 10.0% of the net proceeds, or HK\$184.5 million, is expected to be used for strengthening our production and supply chain capabilities, including constructing and expanding our production facilities and supply chain operations;
- approximately 9.0% of the net proceeds, or HK\$166.0 million, is expected to be used for enhancing our product design and development capabilities, including:
 - (i) approximately 5.0% of the net proceeds, or HK\$92.2 million, will be used for developing our R&D centers, which include recruiting product development personnel with fundamental research experience, purchasing equipment for analysis and testing and enhancing production techniques, these initiatives will

FUTURE PLANS AND USE OF PROCEEDS

focus on gradually enhancing our R&D capabilities, starting with increasing collaboration with ODMs in R&D processes. These funds are not intended for the construction of our Hangzhou R&D Center, which is already in progress and anticipated to be completed by the end of 2026; and

- (ii) approximately 4.0% of the net proceeds, or HK\$73.8 million, will be used for developing new products and product categories by adopting advanced product formula and aesthetic designs;
- approximately 6.0% of the net proceeds, or HK\$110.6 million, is expected to be used for our makeup artistry training institutes, including (a) upgrading and expanding facilities and infrastructure of our institutes, (b) opening makeup artistry workshops, (c) recruiting more training personnel, (d) developing new training programs, and (e) participating in large-scale industry events;
- approximately 5.0% of the net proceeds, or HK\$92.2 million, is expected to be used for digitizing our operations and information infrastructure, including: (a) purchasing hardware equipment; (b) developing or purchasing software systems for enterprise resource planning and operational management to improve operational efficiency; (c) recruiting and training specialist personnel; and (d) upgrading our membership system; and
- approximately 10.0% of the net proceeds, or HK\$184.5 million, is expected to be used for working capital and general corporate uses.

In the event that the Offer Price is set at the maximum Offer Price or the minimum Offer Price of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$237.2 million, respectively. To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we currently intend to deposit such net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Huatai Financial Holdings (Hong Kong) Limited
Guotai Junan Securities (Hong Kong) Limited
CCB International Capital Limited
ABCI Securities Company Limited
CMBC Securities Company Limited
Tiger Brokers (HK) Global Limited
Futu Securities International (Hong Kong) Limited
Livermore Holdings Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 7,058,900 Hong Kong Offer Shares and the International Offering of initially 63,529,300 International Offer Shares, subject, in each case, to the Offer Size Adjustment Option and reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to reallocation and the Offer Size Adjustment Option) for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus (including the additional H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Sole Overall Coordinator (for itself and on behalf of

UNDERWRITING

the Hong Kong Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) may, in its sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (1) there develops, occurs, exists or comes into force:
 - (a) any new law or regulation or any change or development involving a prospective change or any event or series of events or circumstances likely to result in a change or a development involving a prospective change in existing laws or regulations, or the interpretation or application thereof by any court or any competent governmental authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or other jurisdictions relevant to our Group or the Global Offering (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”); or
 - (b) any change or development involving a prospective change, or any event or series of events or circumstances likely to result in a change or prospective change, in any local, national, regional or international financial, political, military, industrial, economic, fiscal, legal, regulatory, currency, credit or market conditions or sentiments, taxation, equity securities or currency exchange rate or controls or any monetary or trading settlement system, or foreign investment regulations (including, without limitation, a significant devaluation of the Hong Kong dollar or Renminbi against United States dollars, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies) or other financial markets (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) in or affecting any Relevant Jurisdictions, or affecting an investment in the Offer Shares; or

UNDERWRITING

- (c) any event or series of events, or circumstances in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, economic sanctions, strikes, labor disputes, other industrial actions, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, paralysis in government operations, acts of war, epidemic, pandemic, outbreak or escalation, mutation or aggravation of diseases, (including without limitation COVID-19, SARS, MERS, H5N1, H1N1, swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions, or without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of God or act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (d) any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or
- (e) any general moratorium on commercial banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearing services, procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (f) other than with the prior written consent of the Sole Overall Coordinator, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or
- (g) the commencement by any governmental authority or other regulatory or political body or organization of any public action or investigation against a Group company or a director, supervisor or senior management member of any Group company in his/her capacity as such or announcing an intention to take any such action; or

UNDERWRITING

- (h) the imposition of sanctions or export controls on any Group company or any of the Controlling Shareholders, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (i) any valid demand by creditors for repayment of indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (j) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (k) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of our Group or any Controlling Shareholder or any Director, Supervisor or senior management members as named in this prospectus; or
- (l) any contravention by our Company or any Director or Supervisor of the Listing Rules or applicable laws; or
- (m) any change or prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (i) has or will or is likely or is reasonably expected to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or our Group as a whole; or
- (ii) has or will or is likely or is reasonably expected to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of indications of interest under the International Offering; or

UNDERWRITING

- (iii) makes or will make or is likely to make or is reasonably expected to make it impracticable, inadvisable, inexpedient or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the offering documents; or
 - (iv) has or will or is likely or is reasonably expected to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (2) there has come to the notice of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) that:
- (a) any statement contained in any of the offering documents, the CSRC filings and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the “**Global Offering Documents**”) was, when it was issued, or has become untrue, incorrect, inaccurate in any material respect or misleading; or that any estimate, forecast, expression of opinion, intention or expectation contained in any such documents, was, when it was issued, or has become unfair or misleading in any material respect or based on untrue, dishonest or unreasonable assumptions or given in bad faith; or
 - (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission or misstatement in any Global Offering Document; or
 - (c) any material breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties given by our Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - (d) any event, act or omission which gives rise or is likely to give rise to any liability of any of the Indemnifying Parties pursuant to the indemnities in the Hong Kong Underwriting Agreement; or
 - (e) any material breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

UNDERWRITING

- (f) there is any change or development involving a prospective change, having a material adverse effect; or
- (g) that the Chairman of the Board, any Director, any Supervisor or any member of senior management of our Company named in this prospectus is removed from office or vacating his/her office; or
- (h) any Director, any Supervisor or any member of senior management of our Company named in this prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship or supervisorship of a company; or
- (i) our Company withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or
- (j) that the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (k) any prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (l) any of the experts named in this prospectus (other than the Sole Sponsor) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (m) an order or petition is presented for the winding-up or liquidation of any member of our Group, or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

UNDERWRITING

- (n) (A) the notice of acceptance of the CSRC filings issued by the CSRC and/or the results of the CSRC filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or (B) other than with the prior written consent of the Sole Overall Coordinator, the issue or requirement to issue by our Company of a supplement or amendment to the CSRC filings pursuant to the CSRC rules or upon any requirement or request of the CSRC; or (C) any non-compliance of the CSRC filings with the CSRC rules or any other applicable laws; or

- (o) that a material portion of the orders placed or confirmed in the bookbuilding process, or investment commitments made by any cornerstone investors under the Cornerstone Investment Agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to the Global Offering (including the Offer Size Adjustment Option and the Over-allotment Option), he/she/it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (the “**Relevant Securities**”); and

- (b) in the period of six months from the expiry of the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company.

UNDERWRITING

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (i) when he/she/it pledges or charges any Relevant Securities or interests in any of the Relevant Securities, whether directly or indirectly, in favor of any authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07 of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Relevant Securities so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any Relevant Securities that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (i) and (ii) above by any of the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company and the Controlling Shareholders in respect of our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Offer Size Adjustment Option and the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six Month Period**”), we will not, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other securities of our Company or any interest in any of the foregoing

UNDERWRITING

(including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of our Company, as applicable), or deposit any share capital or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the H Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares); or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing specified in paragraph (a), (b) or (c) or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six Month Period). Our Company has further agreed that, in the event our Company is allowed to enter into any of the transactions described in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the “**Second Six Month Period**”), we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any H Shares or other securities of our Company.

Our Controlling Shareholders have undertaken to each of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that it/he/she shall procure our Company to comply with the above undertakings.

Our Company has agreed and undertaken to each of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that we will, and the Controlling Shareholders undertake to procure that our Company will, comply with the minimum public float requirements specified in the Listing Rules (the “**Minimum Public Float Requirement**”), and we will not effect any purchase of the H Shares, or agree to do so, which may reduce the holdings of the H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to below the Minimum Public Float Requirement

UNDERWRITING

or any waiver granted and not revoked by the Stock Exchange prior to the expiration of the First Six Month Period without first having obtained the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters).

Undertakings by the Controlling Shareholders in respect of themselves

Each of the Controlling Shareholders hereby undertakes to each of our Company, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it/he/she will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/him/her will not, at any time during the First Six Month Period, (i) sell, offer to sell, accept subscription for, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any H Shares or other securities of our Company with a depository in connection with the issue of depository receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any H Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any such other securities, as applicable or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of H Shares or other securities of our Company or in cash or otherwise, and whether or not the transactions will be completed within the First Six Month Period; and

UNDERWRITING

- (b) it/he/she will not, during the Second Six Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to contract to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder of our Company or a member of a group of the Controlling Shareholders of our Company or would together with the other Controlling Shareholders cease to be “controlling shareholders” of our Company as defined in the Listing Rules; and

- (c) until the expiry of the Second Six Month Period, in the event that it/he/she enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) or offer to or agrees to or contract to or publicly announce any intention to effect any such transaction, it/he/she will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market in the securities of our Company.

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify, among the others, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters’ Interests in our Company

Except for their obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

UNDERWRITING

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Sole Overall Coordinator and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure subscribers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company is expected to grant to the International Underwriters, exercisable in whole or in part by the Sole Overall Coordinator at its sole and absolute discretion (for itself and on behalf of the International Underwriters), the Over-Allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot, up to an aggregate of 10,588,200 H Shares, representing approximately 15.0% of the initial Offer Shares (assuming the Offer Size Adjustment Option is not exercised) or up to an aggregate of 12,176,400, representing approximately 15.0% of the Offer Shares (assuming the Offer Size Adjustment Option is exercised in full), at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

Offer Size Adjustment Option

The Company has an Offer Size Adjustment Option under the Hong Kong Underwriting Agreement, exercisable by the Company with the prior written agreement between the Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on or before the time of execution of the Price Determination Agreement and will lapse immediately thereafter. Upon the exercise of the Offer Size Adjustment Option, the Company may issue up to 10,588,200 additional Offer Shares (being approximately 15.0% of the Offer Shares initially available under the Global Offering) at the Offer Price. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand.

The exercise of the Offer Size Adjustment Option is also subject to the reallocation arrangement as described in “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation.”

UNDERWRITING

Under the Offer Size Adjustment Option, the Company may issue and allot such number of H Shares up to an aggregate of 10,588,200 additional Offer Shares (being approximately 15.0% of the Offer Shares initially available under the Global Offering) at the Offer Price. See “Structure of the Global Offering — Offer Size Adjustment Option.”

Commissions and Expenses

The Capital Market Intermediaries will receive an underwriting commission of 3.0% of the aggregate gross proceeds from the Global Offering (including any proceeds arising from exercise of the Offer Size Adjustment Option and the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees. In addition, our Company may, at our sole and absolute discretion, pay any one or more of Capital Market Intermediaries an incentive fee of an aggregate of up to 1.0% of the gross proceeds from the Global Offering (including any proceeds arising from exercise of the Offer Size Adjustment Option and the Over-allotment Option).

Assuming the incentive fee is paid in full, the fixed fees and discretionary fees payable to the Capital Market Intermediaries represent 56.5% and 43.5% of the aggregate fees payable to the Capital Market Intermediaries in total in connection with the Global Offering (based on an Offer Price of HK\$28.05 per Offer Share, being the mid-point of the indicative Offer Price range). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate underwriting commissions, incentive fee (if any), documentation fee, listing fees, Stock Exchange trading fee and transaction levies, legal and other professional fees, and printing and other expenses in relation to the Global Offering are estimated to amount to approximately HK\$135.4 million in total (based on the Offer Price of HK\$28.05 per Offer Share, being the mid-point of the indicative Offer Price range and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), and are payable by our Company.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective

UNDERWRITING

affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

UNDERWRITING

- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (1) the Hong Kong Public Offering of initially 7,058,900 H Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed “— The Hong Kong Public Offering” below; and
- (2) the International Offering of initially 63,529,300 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option as mentioned below) outside the United States (including professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, and in the United States only to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act, as described in the paragraph headed “— the International Offering” below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 15.00% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Offer Size Adjustment Option and the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of the enlarged issued share capital of our Company (assuming the Offer Size Adjustment Option is not exercised) or approximately 18.92% of the enlarged issued share capital of our Company (assuming the Offer Size Adjustment Option is exercised in full) immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in “— The International Offering — Over-allotment Option” below.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in “— The Hong Kong Public Offering — Reallocation” below.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 7,058,900 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.50% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in “— Conditions of the Global Offering” below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than the others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any allocation) is to be divided into two pools (subject to adjustment of odd lot size): Pool A and Pool B. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 3,529,500 and 3,529,400, respectively. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million and up to the value of pool B (excluding the brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable).

STRUCTURE OF THE GLOBAL OFFERING

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this subsection only, the “price” for the Hong Kong Offer Shares means the price payable on application therein (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Offer Shares from either Pool A or Pool B but not from both pools.

Multiple or suspected multiple applications and any application for more than 3,529,400 Hong Kong Offer Shares (being approximately 50% of the 7,058,900 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of the Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached under the Hong Kong Public Offering as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 21,176,500 Offer Shares, representing approximately 30.0% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 28,235,300 Offer Shares, representing approximately 40.0% of the Offer Shares initially available under the Global Offering; and

STRUCTURE OF THE GLOBAL OFFERING

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 35,294,100 Offer Shares, representing 50.0% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Overall Coordinator in its sole discretion consider appropriate.

In addition, the Sole Overall Coordinator may in its sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering under the condition that (1) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed (irrespective of the number of times); or (2) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering. In such event, the Sole Overall Coordinator has the authority to re-allocate International Offer Shares originally allocated in the International Offering to the Hong Kong Public Offering in such number as it deems appropriate, provided that in accordance with Chapter 4.14 of the Guide for New Listing Applicants, (1) the number of International Offer Shares re-allocated to the Hong Kong Public Offering should not exceed 7,058,800 Shares, such that the total number of Hong Kong Offer Shares following such reallocation will not exceed 14,117,700 Shares, representing approximately twice of the Offer Shares initially available under the Hong Kong Public Offering; and (2) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$26.30 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Sole Overall Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Sole Overall Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applicants under the Hong Kong Public Offering are required to pay, on application (subject to application channel), the maximum price of HK\$29.80 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “— Pricing and Allocation” below, is less than the maximum price of HK\$29.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

The International Offering will consist of an initial offering of 63,529,300 Offer Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering and approximately 13.50% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised. The International Offering will be offered by us outside of the United States in reliance on Regulation S and in the United States only to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information

STRUCTURE OF THE GLOBAL OFFERING

to the Sole Overall Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the reallocation arrangement described in “— The Hong Kong Public Offering — Reallocation” above, the exercise of the Offer Size Adjustment Option and the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-allotment Option

Our Company is expected to grant to the International Underwriters, exercisable in whole or in part by the Sole Overall Coordinator at its sole and absolute discretion (for itself and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 10,588,200 Offer Shares, representing approximately 15.00% of the Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option is not exercised) or up to an aggregate of 12,176,400 Offer Shares, representing approximately 15.00% of the Offer Shares available under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full), at the Offer Price, to cover over-allocations in the International Offering, if any. If the Offer Size Adjustment Option is not exercised and the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 2.20% of the total number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the additional Offer Shares to be issued pursuant to the Over-allotment Option will represent approximately 2.47% of the total number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

OFFER SIZE ADJUSTMENT OPTION

As part of the Global Offering, the Company has the Offer Size Adjustment Option under the Hong Kong Underwriting Agreement. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand, if any. The Offer Size Adjustment Option may be exercised by the Company after consultation with the Sole Overall Coordinator prior to the execution of the Price Determination Agreement and will expire upon execution of the Price Determination Agreement.

STRUCTURE OF THE GLOBAL OFFERING

Under the Offer Size Adjustment Option, the Company may issue any number of H Shares up to an aggregate of 10,588,200 additional Offer Shares at the Offer Price. These Offer Size Adjustment Option Shares, if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the reallocation arrangement described in the subsection headed “— The Hong Kong Public Offering — Reallocation” and the Sole Overall Coordinator shall allocate additional new H Shares to be offered by the Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality.

If the Offer Size Adjustment Option is exercised in full, the Offer Size Adjustment Option Shares to be issued pursuant thereto will represent approximately 2.20% of our issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the exercise of the Offer Size Adjustment Option.

The dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) is set out below:

Number of H Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option (the “Original Subscribers”)	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of H Shares issued under the Global Offering after the full exercise of the Offer Size Adjustment Option	Approximate percentage of total issued share capital held by the Original Subscribers after the full exercise of the Offer Size Adjustment Option
<u>70,588,200</u>	<u>15.00%</u>	<u>81,176,400</u>	<u>14.67%</u>

The Offer Size Adjustment Option will not be used for price stabilisation purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilization) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, or confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

STRUCTURE OF THE GLOBAL OFFERING

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date, to the extent permitted by applicable laws of Hong Kong or elsewhere. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position;

STRUCTURE OF THE GLOBAL OFFERING

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on Saturday, January 4, 2025, being the 30th day after the date of closing of the application lists under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 10,588,200 H Shares (representing approximately 15.00% of the initial Offer Shares assuming the Offer Size Adjustment Option is not exercised) or up to an aggregate of 12,176,400 H Shares (representing approximately 15.00% of the Offer Shares assuming the Offer Size Adjustment Option is exercised in full), through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid before the Listing Date. Both the size of such cover and the extent to which the Over-Allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-Allotment Option will not be exercised.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Sole Overall Coordinator, its affiliates or any person acting for them may cover such over-allocation by using H Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of H Shares

STRUCTURE OF THE GLOBAL OFFERING

which can be over-allocated will not exceed the number of the H Shares which may be allotted and/or issued pursuant to the exercise in full of the Over-allotment Option, being 10,588,200 H Shares, representing approximately 15.00% of the Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option is not exercised) or being 12,176,400 H Shares, representing approximately 15.00% of the Offer Shares available under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full).

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Sole Overall Coordinator on the Price Determination Date, which is expected to be on Friday, December 6, 2024 and in any event no later than 12:00 noon on Friday, December 6, 2024.

The Offer Price will not be more than HK\$29.80 per Offer Share and is expected to be not less than HK\$26.30 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering are required to pay, on application (subject to application channel), the maximum Offer Price of HK\$29.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, the AFRC transaction levy of 0.00015%, and Stock Exchange trading fee of 0.00565%, amounting to a total of HK\$3,010.05 for one board lot of 100 H Shares.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at www.maogeping.com and www.hkexnews.hk, respectively, an announcement, cancel the offer and relaunch the offer at the revised number

STRUCTURE OF THE GLOBAL OFFERING

of Offer Shares and/or the revised Offer Price range and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental or a new prospectus (as appropriate)), and complete the requisite associated settlement processes on the FINI platform afresh. The Global Offering must first be canceled and subsequently relaunched on the FINI platform pursuant to the supplemental or new prospectus.

In the absence of any such announcement or supplemental or new prospectus, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Overall Coordinator (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering in accordance with Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange and paragraph 4.2 of Practice Note 18 of the Listing Rules, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. Subject to the foregoing paragraph, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Overall Coordinator (for itself and on behalf of the Underwriters).

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares — B. Publication of Results” in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

We expect that we will enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- (1) the Listing Committee granting the approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the Offer Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and any H Shares to be converted from Unlisted Shares as mentioned herein on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (2) the Offer Price having been duly determined between our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters);
- (3) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (4) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements;

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Sole Overall Coordinator by 12:00 noon on Friday, December 6, 2024, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering on the website of our Company (www.maogeping.com) and the website of the Stock Exchange (www.hkexnews.hk). In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed “How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

STRUCTURE OF THE GLOBAL OFFERING

H Share certificates issued in respect of the Hong Kong Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any H Shares to be converted from Unlisted Shares as mentioned herein.

Save as disclosed in the prospectus, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

DEALING IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, December 10, 2024, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, December 10, 2024.

The H Shares will be traded on the Main Board of the Stock Exchange in board lots of 100 H Shares each. The stock code of the H Shares will be 1318.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.maogeping.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (for the **White Form eIPO** service only).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing beneficial owner of any Shares in the Company and/or any of its subsidiaries;
- are a Director or a Supervisor or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 am on Monday, December 2, 2024 and end at 12:00 noon on Thursday, December 5, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	www.eipo.com.hk	Applicants who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Monday, December 2, 2024, to 11:30 a.m. on Thursday, December 5, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Thursday, December 5, 2024 Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit electronic application instruction(s) on your behalf through HKSCC's FINI system in accordance with your instruction.	Applicants who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants	For Corporate Applicants
<ul style="list-style-type: none">• Full name(s)² as shown on your identity document• Identity document's issuing country or jurisdiction• Identity document type, with order of priority:<ul style="list-style-type: none">i. Hong Kong identity card (“HKID”); orii. National identification document; oriii. Passport; and• Identity document number	<ul style="list-style-type: none">• Full name(s)² as shown on your identity document• Identity document's issuing country or jurisdiction• Identity document type, with order of priority:<ul style="list-style-type: none">i. Legal entity identifier (“LEI”) registration document; orii. Certificate of incorporation; oriii. Business registration certificate; oriv. Other equivalent document; and• Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data (“**CID**”) of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Sole Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 100 H Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$29.80 per Offer Share.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian. If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Offer Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Mao Geping Cosmetics Co., Ltd.

(HK\$29.80 per Hong Kong Offer Share)

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
100	3,010.05	1,500	45,150.81	8,000	240,804.27	90,000	2,709,047.96
200	6,020.11	2,000	60,201.07	9,000	270,904.79	100,000	3,010,053.30
300	9,030.16	2,500	75,251.33	10,000	301,005.34	150,000	4,515,079.96
400	12,040.21	3,000	90,301.59	20,000	602,010.65	200,000	6,020,106.60
500	15,050.26	3,500	105,351.87	30,000	903,015.99	250,000	7,525,133.26
600	18,060.32	4,000	120,402.13	40,000	1,204,021.32	500,000	15,050,266.50
700	21,070.37	4,500	135,452.40	50,000	1,505,026.66	750,000	22,575,399.76
800	24,080.43	5,000	150,502.66	60,000	1,806,031.98	1,000,000	30,100,533.00
900	27,090.48	6,000	180,603.20	70,000	2,107,037.31	2,000,000	60,201,066.00
1,000	30,100.52	7,000	210,703.73	80,000	2,408,042.65	3,529,400 ⁽¹⁾	106,236,821.17

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— A. Applications for Hong Kong Offer Shares — 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorize us and/or the Sole Overall Coordinator, as our agent, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “— G. Personal Data — 3. Purposes” and “— 4. Transfer of personal data” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “— B. Publication of Results” in this section;
- (x) confirm that you are aware of the situations specified in the paragraph headed “— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) confirm that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xv) confirm that you understand that we and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the H Share Registrar or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

<u>Platform</u>	<u>Date/Time</u>
Applying through White Form eIPO service or HKSCC EIPO channel:	
Website The designated results of allocation at www.iporesults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment) with a “search by ID” function.	24 hours, from 11:00 p.m. on Monday, December 9, 2024 to 12:00 midnight on Sunday, December 15, 2024 (Hong Kong time)
The full list of (i) wholly or partially successful applicants using the White Form eIPO service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “Allotment Results” page of the White Form eIPO service at www.iporesults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment).	
The Stock Exchange’s website at www.hkexnews.hk and our website at www.maogeping.com which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Monday, December 9, 2024 (Hong Kong time)
Telephone . . . +852 2862 8555 — the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., from Tuesday, December 10, 2024 to Friday, December 13, 2024 (Hong Kong time)

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Friday, December 6, 2024 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, December 6, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at www.maogeping.com by no later than 11:00 p.m. on Monday, December 9, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Sole Overall Coordinator, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “— A. Applications for Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sole Overall Coordinator believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

5. If there is money settlement failure for allotted Offer Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

HOW TO APPLY FOR HONG KONG OFFER SHARES

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Tuesday, December 10, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The following sets out the relevant procedures and time:

	<u>White Form eIPO service</u>	<u>HKSCC EIPO channel</u>
Despatch/collection of H Share certificate¹		
For physical share certificates of equal or over 1,000,000 Hong Kong Offer Shares issued under your own name	<p>Collection in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.</p> <p>Time: from 9:00 a.m. to 1:00 p.m. on Tuesday, December 10, 2024 (Hong Kong time)</p> <p>If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop.</p> <p>Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.</p>	<p>Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account. No action by you is required.</p>

¹ Except in the event of a Severe Weather Signals (as defined below) in force in Hong Kong in the morning on Monday, December 9, 2024 rendering it impossible for the relevant H share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “— *E. Severe Weather Arrangements*” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

White Form eIPO service

HKSCC EIPO channel

Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

For physical share certificates of less than 1,000,000 Offer Shares issued under your own name

Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk

Time: Monday,
December 9, 2024

Refund mechanism for surplus application monies paid by you

Date Tuesday, December 10, 2024 Subject to the arrangement between you and your broker or custodian

Responsible party H Share Registrar Your broker or custodian

Application monies paid through single bank account **White Form** e-Refund payment instructions to your designated bank account Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it

Application monies paid through multiple bank accounts Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk

HOW TO APPLY FOR HONG KONG OFFER SHARES

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, December 5, 2024 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 5, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.maogeping.com of the revised timetable.

If a Severe Weather Signal is hoisted on Monday, December 9, 2024, the H Share Registrar will make appropriate arrangements for the delivery of the H share certificates to the CCASS Depository’s service counter so that they would be available for trading on Tuesday, December 10, 2024.

If a Severe Weather Signal is hoisted on Tuesday, December 10, 2024:

- for physical share certificates of 1,000,000 or more Offer Shares issued under your own name, you may collect your share certificates from the H Share Registrar’s office after the Severe Weather Signal is lowered or canceled (e.g. in the afternoon of Tuesday, December 10, 2024 or on Wednesday, December 11, 2024).

HOW TO APPLY FOR HONG KONG OFFER SHARES

If a Severe Weather Signal is hoisted on Monday, December 9, 2024:

- for physical share certificates of less than 1,000,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or canceled (e.g. in the afternoon of Monday, December 9, 2024 or on Tuesday, December 10, 2024).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Offer Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Offer Shares and identifying any duplicate applications for the Offer Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Offer Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the Offer Shares and/or regulators and/or any other purposes to which applicants and holders of the Offer Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisors and receiving bank;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed “Corporate information” in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

Introduction

We report on the historical financial information of Mao Geping Cosmetics Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-87, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-87 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 2 December 2024 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public

Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2023 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not

express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Ernst & Young

Certified Public Accountants

Hong Kong

2 December 2024

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

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

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

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

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						<i>(unaudited)</i>
REVENUE	5	1,577,347	1,829,112	2,885,964	1,398,531	1,971,526
Cost of sales		<u>(261,341)</u>	<u>(295,834)</u>	<u>(437,719)</u>	<u>(216,325)</u>	<u>(297,973)</u>
Gross profit		1,316,006	1,533,278	2,448,245	1,182,206	1,673,553
Other income and gains . .	5	21,588	33,379	46,633	34,892	56,142
Selling and distribution expenses		(763,428)	(962,443)	(1,412,361)	(657,794)	(937,210)
Administrative expenses .		(124,343)	(133,041)	(192,093)	(92,231)	(133,309)
(Impairment losses)/ reversal of impairment losses on financial assets, net		(3,070)	(873)	998	405	752
Other expenses		(63)	(198)	(822)	(109)	(293)
Finance costs	7	(2,805)	(3,115)	(2,033)	(1,132)	(2,561)
Share of (loss)/profit of an associate		–	–	(703)	–	535
PROFIT BEFORE TAX . .	6	443,885	466,987	887,864	466,237	657,609
Income tax expense	10	<u>(112,942)</u>	<u>(114,892)</u>	<u>(224,394)</u>	<u>(116,932)</u>	<u>(165,063)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>330,943</u>	<u>352,095</u>	<u>663,470</u>	<u>349,305</u>	<u>492,546</u>
Attributable to:						
Owners of the parent . .		331,016	352,082	661,928	348,944	492,074
Non-controlling interests		<u>(73)</u>	<u>13</u>	<u>1,542</u>	<u>361</u>	<u>472</u>
		<u>330,943</u>	<u>352,095</u>	<u>663,470</u>	<u>349,305</u>	<u>492,546</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB yuan)	12	<u>1.66</u>	<u>1.76</u>	<u>3.31</u>	<u>1.74</u>	<u>2.46</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2021	2022	2023	30 June
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment . . .	13	125,424	117,383	167,971	218,273
Prepayment for leasehold land . . .		–	–	–	296,345
Investment properties	14	–	3,286	3,164	3,104
Right-of-use assets	15(a)	80,265	54,116	52,054	69,092
Other intangible assets	16	513	1,006	2,555	2,531
Investment in an associate	17	–	–	9,297	32,069
Prepayments, other receivables and other assets	20	490	954	118,540	–
Deferred tax assets	27	28,199	44,752	42,970	37,714
Total non-current assets		234,891	221,497	396,551	659,128
CURRENT ASSETS					
Inventories	18	209,741	299,473	342,206	312,571
Trade and bills receivables	19	110,879	113,499	157,677	233,746
Prepayments, other receivables and other assets	20	31,492	32,188	56,990	75,769
Financial assets at fair value through profit or loss	21	51,000	–	–	–
Restricted cash	22	1,366	1,354	3,250	2,187
Cash and cash equivalents	22	491,575	887,899	1,137,894	552,900
Total current assets		896,053	1,334,413	1,698,017	1,177,173
CURRENT LIABILITIES					
Trade payables	23	43,138	112,940	103,589	147,644
Other payables and accruals	24	156,537	193,982	299,367	375,667
Interest-bearing bank and other borrowings	25	–	1,726	–	100,000
Due to related parties	33(b)	–	31	1,135	502
Provision	26	–	–	374	98
Lease liabilities	15(b)	21,511	21,404	21,683	25,797
Tax payable		68,620	59,980	103,157	113,045
Total current liabilities		289,806	390,063	529,305	762,753
NET CURRENT ASSETS		606,247	944,350	1,168,712	414,420
TOTAL ASSETS LESS					
CURRENT LIABILITIES		841,138	1,165,847	1,565,263	1,073,548

	<i>Notes</i>	As at 31 December			As at
		2021	2022	2023	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		841,138	1,165,847	1,565,263	1,073,548
NON-CURRENT LIABILITIES					
Lease liabilities	15(b)	58,717	31,331	17,277	28,708
Total non-current liabilities		58,717	31,331	17,277	28,708
Net assets.		782,421	1,134,516	1,547,986	1,044,840
EQUITY					
Equity attributable to owners of the parent					
Share capital	28	60,000	60,000	60,000	200,000
Reserves.	30	721,660	1,073,742	1,485,670	842,852
		781,660	1,133,742	1,545,670	1,042,852
Non-controlling interests		761	774	2,316	1,988
Total equity		782,421	1,134,516	1,547,986	1,044,840

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium*	Capital reserves*	Statutory surplus reserve*	Retained profits*	Total		
	RMB'000 (note 28)	RMB'000 (note 30)	RMB'000	RMB'000 (note 30)	RMB'000	RMB'000		
At 1 January 2021	60,000	49,550	140	51,198	329,756	490,644	479	491,123
Profit and total comprehensive income for the year	-	-	-	-	331,016	331,016	(73)	330,943
Capital injection from non-controlling shareholders	-	-	-	-	-	-	355	355
Dividends declared to shareholders	-	-	-	-	(40,000)	(40,000)	-	(40,000)
Transfer to statutory surplus reserves	-	-	-	28,793	(28,793)	-	-	-
At 31 December 2021	<u>60,000</u>	<u>49,550</u>	<u>140</u>	<u>79,991</u>	<u>591,979</u>	<u>781,660</u>	<u>761</u>	<u>782,421</u>

Year ended 31 December 2022

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium*	Capital reserves*	Statutory surplus reserve*	Retained profits*	Total		
	RMB'000 (note 28)	RMB'000 (note 30)	RMB'000	RMB'000 (note 30)	RMB'000	RMB'000		
At 1 January 2022	60,000	49,550	140	79,991	591,979	781,660	761	782,421
Profit and total comprehensive income for the year	-	-	-	-	352,082	352,082	13	352,095
Transfer to statutory surplus reserves	-	-	-	28,228	(28,228)	-	-	-
At 31 December 2022	<u>60,000</u>	<u>49,550</u>	<u>140</u>	<u>108,219</u>	<u>915,833</u>	<u>1,133,742</u>	<u>774</u>	<u>1,134,516</u>

Year ended 31 December 2023

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Share premium*	Capital reserves*	Statutory surplus reserve*	Retained profits*	Total			
	RMB'000 (note 28)	RMB'000 (note 30)	RMB'000	RMB'000 (note 30)	RMB'000	RMB'000			
At 1 January 2023	60,000	49,550	140	108,219	915,833	1,133,742	774	1,134,516	
Profit and total comprehensive income for the year	-	-	-	-	661,928	661,928	1,542	663,470	
Dividends declared to shareholders	-	-	-	-	(250,000)	(250,000)	-	(250,000)	
At 31 December 2023.	<u>60,000</u>	<u>49,550</u>	<u>140</u>	<u>108,219</u>	<u>1,327,761</u>	<u>1,545,670</u>	<u>2,316</u>	<u>1,547,986</u>	

Six months ended 30 June 2024

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Share premium*	Share award scheme reserve*	Capital reserves*	Statutory surplus reserve*	Retained profits*	Total		
	RMB'000 (note 28)	RMB'000 (note 30)	RMB'000 (note 29)	RMB'000	RMB'000 (note 30)	RMB'000	RMB'000		
At 1 January 2024	60,000	49,550	-	140	108,219	1,327,761	1,545,670	2,316	1,547,986
Profit and total comprehensive income for the period	-	-	-	-	-	492,074	492,074	472	492,546
Share conversion	140,000	(49,550)	-	-	(90,450)	-	-	-	-
Disposal of partial shareholding in a subsidiary	-	-	-	1	-	-	1	(1)	-
Acquisition of non-controlling interests	-	-	-	99	-	-	99	(799)	(700)
Equity-settled share award expense	-	-	5,008	-	-	-	5,008	-	5,008
Transfer to statutory surplus reserves	-	-	-	-	81,918	(81,918)	-	-	-
Dividends declared to shareholders	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
At 30 June 2024	<u>200,000</u>	<u>-</u>	<u>5,008</u>	<u>240</u>	<u>99,687</u>	<u>737,917</u>	<u>1,042,852</u>	<u>1,988</u>	<u>1,044,840</u>

Six months ended 30 June 2023 (unaudited)

	Attributable to owners of the parent						Non- controlling interests	Total equity
	Share capital	Share premium	Capital reserves	Statutory surplus reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2023	60,000	49,550	140	108,219	915,833	1,133,742	774	1,134,516
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	348,944	348,944	361	349,305
Dividends declared to shareholders (unaudited) . .	—	—	—	—	(250,000)	(250,000)	—	(250,000)
At 30 June 2023 (unaudited) .	<u>60,000</u>	<u>49,550</u>	<u>140</u>	<u>108,219</u>	<u>1,014,777</u>	<u>1,232,686</u>	<u>1,135</u>	<u>1,233,821</u>

* These reserve accounts comprise the consolidated reserves of RMB721,660,000, RMB1,073,742,000, RMB1,485,670,000 and RMB842,852,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		443,885	466,987	887,864	466,237	657,609
Adjustments for:						
Interest income		(6,809)	(13,678)	(19,779)	(9,430)	(6,416)
Finance costs	7	2,805	3,115	2,033	1,132	2,561
Depreciation of property, plant and equipment	13	37,607	39,728	40,093	20,280	18,954
Depreciation of investment properties	14	–	71	122	60	60
Amortisation of other intangible assets	16	253	325	717	295	459
Loss/(gain) on disposal of items of property, plant and equipment		(130)	(9)	(23)	10	(242)
Depreciation of right-of-use assets		22,535	26,410	29,229	14,247	17,841
COVID-19-related rent concessions from lessors	15	–	(4,422)	–	–	–
Investment income from financial assets at fair value through profit or loss		(864)	(351)	–	–	–
Gain on termination of leases, net		–	(1,621)	(472)	(115)	(362)
Impairment losses/(reversal of impairment losses) on trade and other receivables, net		3,070	873	(998)	(405)	(752)
Equity-settled share award expense		–	–	–	–	5,008
Write-down/(reversal of write-down) of inventories to net realisable values		2,795	2,167	1,597	863	(615)
Share of loss/(profit) of an associate	17	–	–	703	–	(535)
		<u>505,147</u>	<u>519,595</u>	<u>941,086</u>	<u>493,174</u>	<u>693,570</u>
Decrease/(increase) in inventories		(94,715)	(91,899)	(44,330)	3,647	30,250
Increase in trade and bills receivables		(26,404)	(2,929)	(44,625)	(88,822)	(76,643)
Increase in prepayments, other receivables and other assets		(4,934)	(1,828)	(25,360)	(19,514)	(10,202)
Decrease/(increase) in restricted cash		(1,263)	12	(1,896)	–	1,063
Increase/(decrease) in trade payables		(1,498)	69,802	(9,351)	(32,597)	44,055
Increase in other payables and accruals		14,537	35,440	61,940	74,556	87,756
Increase/(decrease) in provision. Increase/(decrease) in amounts due to related parties		–	–	374	–	(276)
		–	31	1,104	(31)	(633)
Cash generated from operations.		<u>390,870</u>	<u>528,224</u>	<u>878,942</u>	<u>430,413</u>	<u>768,940</u>

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
<i>Notes</i>					
Cash generated from operations.	390,870	528,224	878,942	430,413	768,940
Income tax paid	(90,939)	(140,107)	(179,234)	(84,322)	(149,870)
Net cash flows from operating activities	<u>299,931</u>	<u>388,117</u>	<u>699,708</u>	<u>346,091</u>	<u>619,070</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(41,057)	(33,145)	(72,193)	(27,358)	(55,590)
Purchases of other intangible assets	(490)	(1,282)	(1,312)	(1,888)	(435)
Purchase of leasehold land	–	–	(12,654)	–	–
Payment of bidding deposit for land use right	–	(12,100)	(118,540)	–	–
Prepayment for leasehold land	–	–	–	–	(177,805)
Repayment of bidding deposit for land use right	–	12,100	–	–	–
Purchase of a shareholding in an associate	–	–	(10,000)	–	(22,237)
Proceeds from disposal of items of property, plant and equipment	379	115	213	–	363
Purchases of financial assets at fair value through profit or loss	(51,000)	–	–	–	–
Proceeds from disposal of financial assets at fair value through profit or loss	–	51,000	–	–	–
Investment income from financial assets at fair value through profit or loss	864	533	–	–	–
Loans to related parties	–	–	–	–	(265,000)
Repayment of loans to related parties	–	–	–	–	265,000
Interest received	<u>6,809</u>	<u>13,678</u>	<u>19,779</u>	<u>9,430</u>	<u>6,416</u>
Net cash flows from/(used in) investing activities	<u>(84,495)</u>	<u>30,899</u>	<u>(194,707)</u>	<u>(19,816)</u>	<u>(249,288)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	(40,000)	–	(225,000)	(225,000)	(1,025,000)
Repayment of principal portion of lease liabilities	(23,111)	(21,303)	(27,973)	(14,815)	(18,936)
Interest paid	(2,805)	(3,115)	(2,033)	(1,132)	(1,189)
Proceeds from bank borrowings	–	1,726	–	–	98,628
Payment of listing expenses	–	–	–	–	(7,579)
Acquisition of non-controlling interests	–	–	–	–	(700)
Capital injection from non-controlling shareholders of a subsidiary	<u>355</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash flows used in financing activities	<u>(65,561)</u>	<u>(22,692)</u>	<u>(255,006)</u>	<u>(240,947)</u>	<u>(954,776)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	149,875	396,324	249,995	85,328	(584,994)

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Cash and cash equivalents at beginning of year/period		341,700	491,575	887,899	887,899	1,137,894
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		491,575	887,899	1,137,894	973,227	552,900
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	22	492,941	889,253	1,141,144	974,581	555,087
Restricted cash	22	(1,366)	(1,354)	(3,250)	(1,354)	(2,187)
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows		491,575	887,899	1,137,894	973,227	552,900

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at
		2021	2022	2023	30 June
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
NON-CURRENT ASSETS					
Property, plant and					
equipment	13	89,473	85,980	81,587	78,131
Right-of-use assets	15(a)	8,086	5,034	942	9,821
Other intangible assets		415	573	1,825	1,863
Investments in subsidiaries	37	28,963	28,963	138,963	461,963
Prepayments, other					
receivables and other					
assets	20	299	863	118,540	–
Deferred tax assets	27	7,731	8,501	13,181	14,529
Total non-current assets		<u>134,967</u>	<u>129,914</u>	<u>355,038</u>	<u>566,307</u>
CURRENT ASSETS					
Inventories	18	182,384	256,796	356,699	304,344
Trade and bills receivables	19	94,518	90,681	130,392	189,781
Prepayments, other					
receivables and other					
assets	20	15,934	15,619	17,653	32,135
Financial assets at fair value					
through profit or loss	21	51,000	–	–	–
Due from subsidiaries	38	48,505	34,337	34,119	72,909
Restricted cash	22	1,262	1,250	3,146	2,000
Cash and cash equivalents	22	392,766	730,021	845,685	256,629
Total current assets		<u>786,369</u>	<u>1,128,704</u>	<u>1,387,694</u>	<u>857,798</u>
CURRENT LIABILITIES					
Trade payables		57	101	57	57
Other payables and accruals	24	86,126	104,080	151,933	203,102
Interest-bearing bank and					
other borrowings	25	–	1,726	–	–
Due to subsidiaries	38	67,166	118,558	106,424	275,851
Lease liabilities	15(b)	3,772	3,206	–	1,777
Tax payable		54,240	47,107	82,136	93,201
Total current liabilities		<u>211,361</u>	<u>274,778</u>	<u>340,550</u>	<u>573,988</u>
NET CURRENT ASSETS		<u>575,008</u>	<u>853,926</u>	<u>1,047,144</u>	<u>283,810</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		<u>709,975</u>	<u>983,840</u>	<u>1,402,182</u>	<u>850,117</u>

	<i>Notes</i>	As at 31 December			As at
		2021	2022	2023	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
TOTAL ASSETS LESS					
CURRENT LIABILITIES . .		709,975	983,840	1,402,182	850,117
NON-CURRENT					
LIABILITIES					
Lease liabilities	15(b)	5,046	–	–	6,271
Total non-current liabilities . .		5,046	–	–	6,271
Net assets		704,929	983,840	1,402,182	843,846
EQUITY					
Equity attributable to					
owners of the parent					
Share capital	28	60,000	60,000	60,000	200,000
Reserves	30	644,929	923,840	1,342,182	643,846
Total equity		704,929	983,840	1,402,182	843,846

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the People's Republic of China (the "PRC") on 28 July 2000. The registered office of the Company is located at Room 1001, Wanyin Building, Shangcheng District, Hangzhou, Zhejiang, PRC.

During the Relevant Periods, the Company and its subsidiaries (together, the "Group") were involved in research and development, production and sale of beauty products, and provision of makeup artistry training, experiential and personalised customer service.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the Company's principal subsidiaries of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Mao Geping Technology Co., Ltd.* ("Mao Geping Technology") (杭州毛戈平科技有限公司) (note (a), (b))	PRC/Chinese Mainland 12 November 2009	RMB10,000,000	100	–	Research and development, production and sale of beauty products
Hangzhou Love Keeps Cosmetics Co., Ltd.* ("Hangzhou Love Keeps") (杭州至愛終生化妝品有限公司) (note (a), (b)).	PRC/Chinese Mainland 7 November 2013	RMB8,000,000	100	–	Sale of beauty products
Hangzhou Mao Geping Image Design Art Co., Ltd.* ("Mao Geping Image Design") (杭州毛戈平形象設計藝術有限公司) (note (a), (d)).	PRC/Chinese Mainland 10 August 2010	RMB10,000,000	100	–	Provision of makeup artistry training
Hangzhou Diyue Cosmetics Co., Ltd.* ("Hangzhou Diyue") (杭州迪悅化妝品有限公司) (note (a), (b))	PRC/Chinese Mainland 2 June 2016	RMB10,000,000	100	–	Sale of beauty products
Beijing Diyue Cosmetics Co., Ltd.* ("Beijing Diyue") (北京迪悅化妝品有限公司) (note (a), (b))	PRC/Chinese Mainland 13 May 2019	RMB5,000,000	95	–	Sale of beauty products
Zhejiang Huidu Cosmetics Co., Ltd.* ("Zhejiang Huidu") (浙江匯都化妝品有限公司) (note (a), (b))	PRC/Chinese Mainland 8 March 2021	RMB10,000,000	100	–	Sale of beauty products
Hangzhou Keyunshi Biotechnology Co., Ltd.* ("Hangzhou Keyunshi") (杭州科韻詩生物科技有限公司) (note (b), (c)).	PRC/Chinese Mainland 18 August 2022	RMB100,000,000	100	–	Research and development, production and sale of beauty products
Hangzhou Xingyi Equity Investment Co., Ltd.* ("Hangzhou Xingyi") (杭州星屹股權投資有限公司) (note (c), (d)).	PRC/Chinese Mainland 29 December 2022	RMB100,000,000	100	–	Investment holding
Hangzhou Shang Du Hui Cosmetics Technology Co., Ltd.* ("Hangzhou Shang Du Hui") (杭州尚都匯化妝品科技有限公司)	PRC/Chinese Mainland 2 January 2024	RMB500,000,000	77.20	–	Properties holding

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.
 - (b) The statutory financial statements of these entities for the year ended 31 December 2023 prepared under PRC GAAP were audited by Zhejjiang Zongzi Certified Public Accountants Co., Ltd. (浙江中孜會計師事務所有限公司), certified public accountants registered in the PRC.
 - (c) No audited financial statements have been prepared for these entities for the year ended 31 December 2022 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of establishment.
 - (d) No audited financial statements have been prepared for these entities for the year ended 31 December 2023 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of establishment.
- * The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 January 2024 together with the relevant transitional provisions, have been early adopted on a consistent basis by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value.

Basis of consolidation

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

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

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7</i> ²

¹ Effective for annual periods beginning on or after 1 January 2025

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

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

⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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

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

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

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

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

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

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

- | | | |
|---------|---|---|
| Level 1 | – | based on quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Related parties

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

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

or

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

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	3 to 5 years
Motor vehicles	4 to 5 years
Office equipment	3 to 5 years
Buildings	20 to 30 years

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

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

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

Investment properties

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

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives of 30 years.

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

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

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

Intangible assets (other than goodwill)

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

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 4 to 5 years.

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Self-operated counters	1 to 4 years
Office premises	1 to 11 years
Leasehold land	50 years

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

(b) Lease liabilities

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

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

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

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

The Group applies the short-term lease recognition exemption to its short-term leases of warehouse (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets, which are not capitalised, are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade payables, other payables and accruals, lease liabilities, interest-bearing bank and other borrowings and amounts due to related parties.

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

The Group provides for warranties in relation to the sale of certain products for general replacement of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of replacements, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Income tax

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

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

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

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

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

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

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

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

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

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

Government grants

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

Revenue recognition***Revenue from contracts with customers***

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of products

The Group primarily sells its products to customers through offline channels such as direct sales via self-operated counters, retailers and distributors and online channels such as direct online sales and distributors. Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods or upon the confirmation by the customer. Specifically, revenue from direct sales and consignment is recognised when the goods are delivered to consumers directly in the counters or when the goods are sent by express delivery to and accepted by consumers. Revenue from retailers and distributors is recognised when the goods are delivered to designated locations or transferred to designated carriers.

Some contracts for the sales of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

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

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(iii) Membership loyalty programme

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

(b) *Makeup artistry training and related sales*

Revenue from the provision of makeup artistry training service is recognised over the training period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other related sales mainly include the sale of beauty salon products to program participants who participate in makeup artistry training service and the sale of recorded makeup training courses. Revenue from other related sales is recognised at the point in time when control of the asset is transferred to the customer or the service is rendered.

Other income

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

Contract liabilities

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

Right-of-return assets

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

Refund liabilities

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

Share-based payments

The Company operates a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is measured at the market value of the shares, further details of which are given in note 29 to the Historical Financial Information.

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

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

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

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

Other employee benefits

Pension schemes

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Identification of a customer and gross versus net revenue recognition

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as a principal or an agent in the transaction. If the Group is acting as a principal in a transaction, the Group reports revenue on a gross basis. If the Group is acting as an agent in a transaction, the Group reports revenue on a net basis. The determination of whether the Group is acting as a principal or an agent in a transaction involves judgement and is based on an evaluation of the terms of the arrangement. The Group is considered a principal if it controls a promised good or service before transferring that good or service to the customer. The Group considers several factors to determine if it controls the good or service and therefore is the principal. These factors include: (a) if the Group is primarily responsible for fulfilling the promise to provide the specified good or service; (b) if the Group has inventory risk before the specified good or service has been transferred to a customer or after the transfer of control to the customer; and (c) if the Group has discretion in establishing price for the specified good or service.

(b) Identifying performance obligations in membership loyalty programme

The Group operates a membership loyalty programme that rewards a customer with membership with loyalty points for each purchase. Loyalty points are redeemable for discounts of future purchase. The Group assessed that the points provide a material right to customers that they would not receive without entering into a contract. Consequently, the Group concludes that the promise to provide loyalty points to the customer is a performance obligation. The Group accounts for loyalty points as a separately identifiable component of the sales transaction(s) in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the components, i.e., the goods sold (revenue) and the loyalty points granted (deferred revenue). The allocation is made by reference to the relative standalone values of the components, i.e., the amounts for which each component could be sold separately.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the consuming sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The unrecognised tax losses at 31 December 2021, 2022 and 2023 and 30 June 2024 amounted to RMB12,951,000, nil, nil and nil, respectively. Further details are contained in note 27 to the Historical Financial Information.

Net realisable value of inventories

Net realisable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates, based on the current market condition and the historical experience in selling goods of a similar nature, include but not limited to economic outlook, sales forecasts and the forecast market value for the inventory items. They could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each of the Relevant Periods. The carrying amount of inventories is given in note 18 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Deferred revenue — Estimating the fair value of loyalty points in membership loyalty programme

The fair value of the loyalty points is estimated by reference to the discount that the customer would obtain when redeeming the loyalty points for goods. The nominal value of this discount is reduced to take into account:(i) any discount that would be offered to customers who have not earned loyalty points from an initial sale; and (ii) the proportion of loyalty points that are expected to be forfeited by customers.

The Group recognises revenue in respect of the loyalty points in the periods, and reflecting the pattern, in which loyalty points are redeemed. The amount of revenue recognised is based on the number of loyalty points that have been redeemed relative to the total number expected to be redeemed. The part of the consideration allocated to goods sold is recorded in gross sales of products in profit or loss and the deferred revenue is recorded in “Contract liabilities” in the consolidated statement of financial position.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their service and products and only has one reportable operating segment. Management monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the years ended 31 December 2021, 2022 and 2023, the Group’s operations were within one geographical segment because all of the Group’s revenue was generated from customers located in Chinese Mainland. During the six months ended 30 June 2024, the Group had operations in Chinese Mainland and Hong Kong, with revenue generated from customers located in Chinese Mainland and Hong Kong of RMB1,971,335,000 (30 June 2023: RMB1,398,531,000) and RMB191,000 (30 June 2023: Nil), respectively.

All of the non-current assets of the Group were located in Chinese Mainland.

Information about major customers

No revenue from the Group’s sales to a single customer or a group of customers under common control amounted to 10% or more of the Group’s revenue for each of the Relevant Periods and the six months ended 30 June 2023.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from contracts with customers	1,577,347	1,829,112	2,885,964	1,398,531	1,971,526

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Types of goods or services					
Sale of products	1,495,067	1,774,741	2,781,892	1,359,273	1,900,022
Makeup artistry training and related sales	82,280	54,371	104,072	39,258	71,504
Total	1,577,347	1,829,112	2,885,964	1,398,531	1,971,526

Geographical markets

The Group's revenue was generated from customers located in Chinese Mainland during the years ended 31 December 2021, 2022 and 2023. For the six months ended 30 June 2024, the Group's revenue was generated from customers located in Chinese Mainland and Hong Kong with an amount of RMB1,971,335,000 (30 June 2023: RMB1,398,531,000) and RMB191,000 (30 June 2023: Nil), respectively.

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Timing of revenue recognition					
Goods transferred or services provided at a point in time	1,501,939	1,780,135	2,805,230	1,367,273	1,913,628
Services provided over time	75,408	48,977	80,734	31,258	57,898
Total	1,577,347	1,829,112	2,885,964	1,398,531	1,971,526

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sale of products	23,305	31,956	47,287	28,546	30,088
Makeup artistry training and related sales	30,352	23,115	15,634	13,559	20,880
Total	53,657	55,071	62,921	42,105	50,968

(ii) Performance obligations

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

Sale of products

The Group primarily sells its products to customers through offline channels such as direct sales via counters, offline retailers and distributors and online channels such as direct online sales, online distributors and consignment.

Offline Channel

For direct sales via self-operated counters under lease model, the performance obligation is satisfied upon delivery of the goods and payment is mainly on cash or credit card settlement simultaneously. For direct sales via self-operated counters under concession model, the performance obligation is satisfied upon delivery of the goods and payment is collected by shopping malls and is due within 60 days. For retailer and distributor sales, the performance obligation is satisfied upon delivery of the goods and payment in advance before delivery is usually required while some large retailers are granted a credit term of 60 days.

Online Channel

For direct sales, the performance obligation is satisfied upon the acceptance of goods by customers and payment is mainly on cash or credit card settlement simultaneously. For distributor sales, the performance obligation is satisfied upon delivery of the goods and payment in advance is usually required. For consignment sales, the performance obligation is satisfied upon the acceptance of goods by consumers and payment is due within 30 days.

Makeup artistry training and related sales

For the makeup artistry training service, the performance obligation is satisfied over time as training services are rendered and payment in advance is normally required.

For the other related sales, the performance obligation is satisfied upon the acceptance of goods or online courses by customers and payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021, 2022 and 2023 and 30 June 2024 are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts expected to be recognised as revenue:				
Within one year	23,115	15,634	22,907	39,337
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue related to makeup artistry training services. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of the Group's other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Other income</u>					
Bank interest income	6,809	13,678	19,779	9,430	6,223
Interest income from loans to a related party	–	–	–	–	193
Government grants*	12,776	16,277	25,103	24,526	47,972
Gross rental income from investment property operating leases	–	89	328	107	107
Others	1,009	1,354	928	714	1,043
Total other income	<u>20,594</u>	<u>31,398</u>	<u>46,138</u>	<u>34,777</u>	<u>55,538</u>
<u>Gains</u>					
Gain on disposal of items of property, plant and equipment	130	9	23	–	242
Gain on termination of leases, net	–	1,621	472	115	362
Investment income from financial assets at fair value through profit or loss	864	351	–	–	–
Total gains	<u>994</u>	<u>1,981</u>	<u>495</u>	<u>115</u>	<u>604</u>
Total other income and gains .	<u>21,588</u>	<u>33,379</u>	<u>46,633</u>	<u>34,892</u>	<u>56,142</u>

* The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these government grants.

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories sold		195,066	230,752	355,109	178,466	243,178
Cost of makeup artistry training services provided and related sales		44,210	35,305	37,434	16,397	19,747
Depreciation of property, plant and equipment	13	37,607	39,728	40,093	20,280	18,954
Depreciation of investment properties	14	–	71	122	60	60
Depreciation of right-of-use assets	15(a)	22,535	26,410	29,462	14,247	18,084
Less: Amount capitalised in construction in progress		–	–	(233)	–	(243)
Net depreciation of right-of-use assets		<u>22,535</u>	<u>26,410</u>	<u>29,229</u>	<u>14,247</u>	<u>17,841</u>

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amortisation of other intangible assets*	16	253	325	717	295	459
Research and development costs**		13,703	14,548	23,975	12,195	15,267
COVID-19-related rent concessions from lessors	15(b)	–	(4,422)	–	–	–
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	15(c)	432	937	6,518	2,786	5,109
Expenses relating to short-term leases and low-value leases (included in administrative expenses and selling and distribution expenses)	15(c)	5,269	4,002	5,583	2,162	3,830
Bank interest income		(6,809)	(13,678)	(19,779)	(9,430)	(6,223)
Interest income from loans to a related party		–	–	–	–	(193)
Government grants		(12,776)	(16,277)	(25,103)	(24,526)	(47,972)
Auditor's remuneration		2,910	2,058	3,655	2,900	142
Listing expenses		–	–	950	–	15,559
Employee benefit expense (excluding directors' and chief executives' remuneration (note 8)):						
Wages, salaries and bonuses		291,730	347,767	471,869	233,830	284,484
Equity-settled share award expense***	29	–	–	–	–	5,008
Pension scheme contributions (defined contribution scheme)****		18,734	24,468	30,305	13,598	18,613
Staff welfare expenses		32,636	41,652	46,252	21,438	25,109
Total		343,100	413,887	548,426	268,866	333,214
Gain on termination of leases, net		–	(1,621)	(472)	(115)	(362)
Loss/(gain) on disposal of items of property, plant and equipment, net		(130)	(9)	(23)	10	(242)
Impairment losses/(reversal of impairment losses) on trade and other receivables, net		3,070	873	(998)	(405)	(752)
Write-down/(reversal of write-down) of inventories to net realisable values*****		2,795	2,167	1,597	863	(615)

* The amortisation of other intangible assets is included in “Administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

** Research and development costs include part of employee benefit expense, depreciation of property, plant and equipment and depreciation of right-of-use assets.

*** The equity-settled share award expense is included in “Administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

***** The write-down/(reversal of write-down) of inventories to net realisable value is included in “Cost of sales”, “Selling and distribution expenses” and “Administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings		–	–	–	–	1,372
Interest on lease liabilities	15(b)	2,805	3,115	2,033	1,132	1,189
Total		<u>2,805</u>	<u>3,115</u>	<u>2,033</u>	<u>1,132</u>	<u>2,561</u>

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

The remuneration of each of the Company's directors, chief executive and supervisors is set out below:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	320	320	320	160	214
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	14,472	18,618	22,591	10,389	10,387
Pension scheme contributions	220	233	259	125	136
Subtotal	<u>14,692</u>	<u>18,851</u>	<u>22,850</u>	<u>10,514</u>	<u>10,523</u>
Total	<u>15,012</u>	<u>19,171</u>	<u>23,170</u>	<u>10,674</u>	<u>10,737</u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and the six months ended 30 June 2023 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Guo Degui	80	29	–	–	–
Mr. Zhang Zhiyong	80	29	–	–	–
Mr. Lin Xian	80	29	–	–	–
Mr. Shang Yang	80	29	–	–	–
Mr. Dong Liming	–	51	80	40	20
Ms. Chen Weihua	–	51	80	40	20
Ms. Wang Hongwen	–	51	80	40	20
Mr. Li Hailong	–	51	80	40	40
Mr. Gu Jiong	–	–	–	–	57
Mr. Huang Hui	–	–	–	–	57
Total	<u>320</u>	<u>320</u>	<u>320</u>	<u>160</u>	<u>214</u>

Mr. Guo Degui, Mr. Zhang Zhiyong, Mr. Lin Xian and Mr. Shang Yang resigned as independent non-executive directors on 12 May 2022. Mr. Dong Liming, Ms. Chen Weihua, Ms. Wang Hongwen and Mr. Li Hailong were appointed as independent non-executive directors on 13 May 2022. Mr. Dong Liming, Ms. Chen Weihua and Ms. Wang Hongwen resigned as independent non-executive directors on 1 April 2024. Mr. Gu Jiong and Mr. Huang Hui were appointed as independent non-executive directors on 1 April 2024.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods and the six months ended 30 June 2023.

(b) Executive directors and the chief executive

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Year ended 31 December 2021</u>			
Executive directors:			
Mr. Mao Geping*	3,600	33	3,633
Ms. Wang Liqun	1,010	31	1,041
Ms. Mao Niping	2,314	–	2,314
Ms. Mao Huiping	2,314	–	2,314
Mr. Wang Lihua	1,010	31	1,041
Ms. Song Hongquan*	2,611	33	2,644
Mr. Zhang Jianfeng**	952	33	985
Total	<u>13,811</u>	<u>161</u>	<u>13,972</u>
<u>Year ended 31 December 2022</u>			
Executive directors:			
Mr. Mao Geping*	4,839	33	4,872
Ms. Wang Liqun	1,025	35	1,060
Ms. Mao Niping	3,274	–	3,274
Ms. Mao Huiping	3,274	–	3,274
Mr. Wang Lihua	1,025	35	1,060
Ms. Song Hongquan*	3,556	33	3,589
Mr. Zhang Jianfeng**	981	33	1,014
Total	<u>17,974</u>	<u>169</u>	<u>18,143</u>
<u>Year ended 31 December 2023</u>			
Executive directors:			
Mr. Mao Geping*	5,898	40	5,938
Ms. Wang Liqun	1,029	37	1,066
Ms. Mao Niping	3,869	–	3,869
Ms. Mao Huiping	3,866	–	3,866
Mr. Wang Lihua	1,029	37	1,066
Ms. Song Hongquan*	4,710	40	4,750
Mr. Zhang Jianfeng**	1,296	40	1,336
Total	<u>21,697</u>	<u>194</u>	<u>21,891</u>
<u>Six months ended 30 June 2024</u>			
Executive directors:			
Mr. Mao Geping*	2,811	21	2,832
Ms. Wang Liqun	516	18	534
Ms. Mao Niping	1,762	–	1,762
Ms. Mao Huiping	1,762	–	1,762
Mr. Wang Lihua	518	21	539
Ms. Song Hongquan*	2,335	21	2,356
Mr. Zhang Jianfeng**	285	10	295
Total	<u>9,989</u>	<u>91</u>	<u>10,080</u>

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Six months ended 30 June 2023 (unaudited)</u>			
Executive directors:			
Mr. Mao Geping*	2,605	19	2,624
Ms. Wang Liqun	513	19	532
Ms. Mao Niping	1,762	–	1,762
Ms. Mao Huiping	1,762	–	1,762
Mr. Wang Lihua	513	19	532
Ms. Song Hongquan*	2,329	19	2,348
Mr. Zhang Jianfeng**	558	19	577
Total	<u>10,042</u>	<u>95</u>	<u>10,137</u>

* Mr. Mao Geping resigned as the chief executive and Ms. Song Hongquan was appointed as the chief executive on 24 March 2024.

** Mr. Zhang Jianfeng resigned as an executive director on 1 April 2024.

(c) **Supervisors**

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Year ended 31 December 2021</u>			
Ms. Gao Yan	207	18	225
Mr. Yang Weiqing	209	12	221
Ms. Wu Meijuan	245	29	274
Total	<u>661</u>	<u>59</u>	<u>720</u>
<u>Year ended 31 December 2022</u>			
Ms. Gao Yan	222	18	240
Mr. Yang Weiqing	228	12	240
Ms. Wu Meijuan	194	34	228
Total	<u>644</u>	<u>64</u>	<u>708</u>
<u>Year ended 31 December 2023</u>			
Ms. Gao Yan	253	22	275
Mr. Yang Weiqing	248	18	266
Ms. Wu Meijuan	393	25	418
Total	<u>894</u>	<u>65</u>	<u>959</u>
<u>Six months ended 30 June 2024</u>			
Ms. Gao Yan	123	12	135
Mr. Yang Weiqing	122	12	134
Ms. Wu Meijuan	153	21	174
Total	<u>398</u>	<u>45</u>	<u>443</u>
<u>Six months ended 30 June 2023 (unaudited)</u>			
Ms. Gao Yan	113	9	122
Mr. Yang Weiqing	114	6	120
Ms. Wu Meijuan	120	15	135
Total	<u>347</u>	<u>30</u>	<u>377</u>

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2023.

During the Relevant Periods and the six months ended 30 June 2023, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during each of the Relevant Periods and the six months ended 30 June 2023 included four, four, four, four and four directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining one, one, one, two and one highest paid employee who is neither a director nor chief executive of the Company during each of the Relevant periods and the six months ended 30 June 2023, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, bonuses, allowances and benefits in kind	3,573	3,083	3,375	1,952	1,229
Equity-settled share award expense	–	–	–	–	4,058
Pension scheme contributions	33	37	37	–	53
Total	<u>3,606</u>	<u>3,120</u>	<u>3,412</u>	<u>1,952</u>	<u>5,340</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
				(unaudited)	
HK\$1,500,001 to HK\$2,000,000	–	–	–	–	1
HK\$2,000,001 to HK\$2,500,000	–	–	–	1	–
HK\$3,500,001 to HK\$4,000,000	–	1	1	–	1
HK\$4,000,001 to HK\$4,500,000	1	–	–	–	–
Total	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>

During the Relevant Periods and the six months ended 30 June 2023, no remuneration was paid by the Group to the non-director and non-chief executive highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

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

The provision for PRC corporate income tax ("CIT") is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

During the year of 2021, Hangzhou Diyue and six subsidiaries of Mao Geping Image Design are qualified as small and micro enterprises and were subject to preferential income tax rate of 2.5% for the first RMB1,000,000 of assessable profits and 10% for the assessable profits between RMB1,000,000 and RMB3,000,000.

During the year of 2022, Hangzhou Diyue, seven subsidiaries of Mao Geping Image Design and Hangzhou Love Keeps are qualified as small and micro enterprises and were subject to preferential income tax rate of 2.5% for the first RMB1,000,000 of assessable profits and 5% for the assessable profits between RMB1,000,000 and RMB3,000,000.

During the year of 2023 and during the six months ended 30 June 2024, Shanghai Diyue, Chongqing Diyue Cosmetics Co., Ltd. and eight subsidiaries of Mao Geping Image Design are qualified as small and micro enterprises and were subject to preferential income tax rate of 5% for the first RMB3,000,000 of assessable profits.

The major components of income tax expense of the Group during the Relevant Periods and the six months ended 30 June 2023 are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current – Charge for the year/period	127,327	131,445	222,612	119,318	159,807
Deferred tax (note 27)	(14,385)	(16,553)	1,782	(2,386)	5,256
Total tax charge for the year/period	<u>112,942</u>	<u>114,892</u>	<u>224,394</u>	<u>116,932</u>	<u>165,063</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdictions in which the Company and the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax	443,885	466,987	887,864	466,237	657,609
Tax at the statutory tax rate of 25% in Chinese Mainland	110,971	116,747	221,966	116,559	164,402
Effect of preferential lower tax rate entitled	(646)	(249)	(66)	(26)	(1,168)
Expenses not deductible for tax	967	1,632	2,318	399	1,963
Losses/(profits) attributable to an associate	–	–	176	–	(134)
Tax losses utilised from previous periods	–	(344)	–	–	–
Recognition of tax losses brought forward from previous year	–	(2,894)	–	–	–
Tax losses not recognised	<u>1,650</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Tax charge at the Group's effective tax rate	<u>112,942</u>	<u>114,892</u>	<u>224,394</u>	<u>116,932</u>	<u>165,063</u>

11. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Dividends	<u>40,000</u>	<u>–</u>	<u>250,000</u>	<u>250,000</u>	<u>1,000,000</u>

On 7 March 2021, the Company declared dividends of RMB40,000,000 to its shareholders, which were paid in March 2021.

On 12 May 2023, the Company declared dividends of RMB250,000,000 to its shareholders for which RMB225,000,000 and RMB25,000,000 were paid in May 2023 and January 2024, respectively.

On 3 February 2024, the Company declared dividends of RMB500,000,000 to its shareholders, which were fully paid in March 2024.

On 1 April 2024, the Company declared dividends of RMB500,000,000 to its shareholders, which were fully paid in May 2024.

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

The calculation of the basic earnings per share amounts is based on the profit for the year/period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods and the six months ended 30 June 2023, as adjusted to reflect the share conversion on 21 March 2024 (note 28). The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the six months ended 30 June 2023.

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

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<u>Earnings</u>					
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>331,016</u>	<u>352,082</u>	<u>661,928</u>	<u>348,944</u>	<u>492,074</u>

Number of shares

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
				(unaudited)	
<u>Shares</u>					
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Motor vehicles	Office equipment	Buildings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2021					
At 1 January 2021:					
Cost	96,004	8,411	11,817	92,314	208,546
Accumulated depreciation . .	(41,816)	(5,394)	(9,123)	(29,990)	(86,323)
Net carrying amount	<u>54,188</u>	<u>3,017</u>	<u>2,694</u>	<u>62,324</u>	<u>122,223</u>
At 1 January 2021, net of accumulated					
depreciation	54,188	3,017	2,694	62,324	122,223
Additions	36,307	2,559	2,191	–	41,057
Disposals	(29)	(185)	(35)	–	(249)
Depreciation provided during the year (<i>note 6</i>) . .	<u>(31,905)</u>	<u>(1,065)</u>	<u>(1,472)</u>	<u>(3,165)</u>	<u>(37,607)</u>
At 31 December 2021, net of accumulated					
depreciation	<u>58,561</u>	<u>4,326</u>	<u>3,378</u>	<u>59,159</u>	<u>125,424</u>
At 31 December 2021:					
Cost	129,072	9,903	13,360	92,314	244,649
Accumulated depreciation . .	(70,511)	(5,577)	(9,982)	(33,155)	(119,225)
Net carrying amount	<u>58,561</u>	<u>4,326</u>	<u>3,378</u>	<u>59,159</u>	<u>125,424</u>
31 December 2022					
At 1 January 2022:					
Cost	129,072	9,903	13,360	92,314	244,649
Accumulated depreciation . .	(70,511)	(5,577)	(9,982)	(33,155)	(119,225)
Net carrying amount	<u>58,561</u>	<u>4,326</u>	<u>3,378</u>	<u>59,159</u>	<u>125,424</u>
At 1 January 2022, net of accumulated					
depreciation	58,561	4,326	3,378	59,159	125,424
Additions	31,845	131	3,174	–	35,150
Disposals	–	(3)	(103)	–	(106)
Transfer to investment properties	–	–	–	(3,357)	(3,357)
Depreciation provided during the year (<i>note 6</i>) . .	<u>(33,868)</u>	<u>(1,184)</u>	<u>(1,582)</u>	<u>(3,094)</u>	<u>(39,728)</u>
At 31 December 2022, net of accumulated					
depreciation	<u>56,538</u>	<u>3,270</u>	<u>4,867</u>	<u>52,708</u>	<u>117,383</u>
At 31 December 2022:					
Cost	156,450	9,966	15,676	88,423	270,515
Accumulated depreciation . .	(99,912)	(6,696)	(10,809)	(35,715)	(153,132)
Net carrying amount	<u>56,538</u>	<u>3,270</u>	<u>4,867</u>	<u>52,708</u>	<u>117,383</u>

	Leasehold improvements	Motor vehicles	Office equipment	Buildings	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023						
At 1 January 2023:						
Costs	156,450	9,966	15,676	88,423	–	270,515
Accumulated depreciation	<u>(99,912)</u>	<u>(6,696)</u>	<u>(10,809)</u>	<u>(35,715)</u>	<u>–</u>	<u>(153,132)</u>
Net carrying amount . .	<u>56,538</u>	<u>3,270</u>	<u>4,867</u>	<u>52,708</u>	<u>–</u>	<u>117,383</u>
At 1 January 2023, net of accumulated						
depreciation	56,538	3,270	4,867	52,708	–	117,383
Additions	27,431	558	2,501	275	60,106	90,871
Disposals	(146)	(17)	(27)	–	–	(190)
Depreciation provided during the year (note 6)	<u>(33,851)</u>	<u>(1,059)</u>	<u>(2,105)</u>	<u>(3,078)</u>	<u>–</u>	<u>(40,093)</u>
At 31 December 2023, net of accumulated						
depreciation	<u>49,972</u>	<u>2,752</u>	<u>5,236</u>	<u>49,905</u>	<u>60,106</u>	<u>167,971</u>
At 31 December 2023:						
Cost	175,889	10,382	17,736	88,698	60,106	352,811
Accumulated depreciation	<u>(125,917)</u>	<u>(7,630)</u>	<u>(12,500)</u>	<u>(38,793)</u>	<u>–</u>	<u>(184,840)</u>
Net carrying amount . .	<u>49,972</u>	<u>2,752</u>	<u>5,236</u>	<u>49,905</u>	<u>60,106</u>	<u>167,971</u>
30 June 2024						
At 1 January 2024:						
Cost	175,889	10,382	17,736	88,698	60,106	352,811
Accumulated depreciation	<u>(125,917)</u>	<u>(7,630)</u>	<u>(12,500)</u>	<u>(38,793)</u>	<u>–</u>	<u>(184,840)</u>
Net carrying amount . .	<u>49,972</u>	<u>2,752</u>	<u>5,236</u>	<u>49,905</u>	<u>60,106</u>	<u>167,971</u>
At 1 January 2024, net of accumulated						
depreciation	49,972	2,752	5,236	49,905	60,106	167,971
Additions	15,938	1,224	1,933	–	50,282	69,377
Disposals	(1)	(20)	(100)	–	–	(121)
Depreciation provided during the period (note 6)	<u>(15,505)</u>	<u>(626)</u>	<u>(1,275)</u>	<u>(1,548)</u>	<u>–</u>	<u>(18,954)</u>
At 30 June 2024, net of accumulated						
depreciation	<u>50,404</u>	<u>3,330</u>	<u>5,794</u>	<u>48,357</u>	<u>110,388</u>	<u>218,273</u>
At 30 June 2024:						
Cost	186,045	11,216	18,761	88,698	110,388	415,108
Accumulated depreciation	<u>(135,641)</u>	<u>(7,886)</u>	<u>(12,967)</u>	<u>(40,341)</u>	<u>–</u>	<u>(196,835)</u>
Net carrying amount . .	<u>50,404</u>	<u>3,330</u>	<u>5,794</u>	<u>48,357</u>	<u>110,388</u>	<u>218,273</u>

The Company

	Leasehold improvements	Motor vehicles	Office equipment	Buildings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2021					
At 1 January 2021:					
Cost	49,245	6,754	1,988	77,748	135,735
Accumulated depreciation	<u>(20,691)</u>	<u>(4,068)</u>	<u>(1,479)</u>	<u>(28,735)</u>	<u>(54,973)</u>
Net carrying amount	<u>28,554</u>	<u>2,686</u>	<u>509</u>	<u>49,013</u>	<u>80,762</u>
At 1 January 2021, net of accumulated depreciation					
28,554	2,686	509	49,013	80,762	
Additions	28,951	2,511	1,440	–	32,902
Disposals	(145)	(185)	(11)	–	(341)
Depreciation provided during the year	<u>(19,867)</u>	<u>(929)</u>	<u>(344)</u>	<u>(2,710)</u>	<u>(23,850)</u>
At 31 December 2021, net of accumulated depreciation					
37,493	4,083	1,594	46,303	89,473	
At 31 December 2021:					
Cost	76,213	8,197	3,203	77,748	165,361
Accumulated depreciation	<u>(38,720)</u>	<u>(4,114)</u>	<u>(1,609)</u>	<u>(31,445)</u>	<u>(75,888)</u>
Net carrying amount	<u>37,493</u>	<u>4,083</u>	<u>1,594</u>	<u>46,303</u>	<u>89,473</u>
31 December 2022					
At 1 January 2022:					
Cost	76,213	8,197	3,203	77,748	165,361
Accumulated depreciation	<u>(38,720)</u>	<u>(4,114)</u>	<u>(1,609)</u>	<u>(31,445)</u>	<u>(75,888)</u>
Net carrying amount	<u>37,493</u>	<u>4,083</u>	<u>1,594</u>	<u>46,303</u>	<u>89,473</u>
At 1 January 2022, net of accumulated depreciation					
37,493	4,083	1,594	46,303	89,473	
Additions	23,637	121	687	–	24,445
Disposals	(1,383)	(3)	(3)	–	(1,389)
Depreciation provided during the year	<u>(22,067)</u>	<u>(1,052)</u>	<u>(720)</u>	<u>(2,710)</u>	<u>(26,549)</u>
At 31 December 2022, net of accumulated depreciation					
37,680	3,149	1,558	43,593	85,980	
At 31 December 2022:					
Cost	95,438	8,250	3,830	77,748	185,266
Accumulated depreciation	<u>(57,758)</u>	<u>(5,101)</u>	<u>(2,272)</u>	<u>(34,155)</u>	<u>(99,286)</u>
Net carrying amount	<u>37,680</u>	<u>3,149</u>	<u>1,558</u>	<u>43,593</u>	<u>85,980</u>

	Leasehold improvements	Motor vehicles	Office equipment	Buildings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023					
At 1 January 2023:					
Cost.	95,438	8,250	3,830	77,748	185,266
Accumulated depreciation	<u>(57,758)</u>	<u>(5,101)</u>	<u>(2,272)</u>	<u>(34,155)</u>	<u>(99,286)</u>
Net carrying amount.	<u>37,680</u>	<u>3,149</u>	<u>1,558</u>	<u>43,593</u>	<u>85,980</u>
At 1 January 2023, net of accumulated					
depreciation	37,680	3,149	1,558	43,593	85,980
Additions	22,522	558	458	–	23,538
Disposals	(85)	–	(14)	–	(99)
Depreciation provided during the year	<u>(23,315)</u>	<u>(997)</u>	<u>(810)</u>	<u>(2,710)</u>	<u>(27,832)</u>
At 31 December 2023, net of accumulated					
depreciation	<u>36,802</u>	<u>2,710</u>	<u>1,192</u>	<u>40,883</u>	<u>81,587</u>
At 31 December 2023:					
Cost.	117,673	8,808	4,006	77,748	208,235
Accumulated depreciation	<u>(80,871)</u>	<u>(6,098)</u>	<u>(2,814)</u>	<u>(36,865)</u>	<u>(126,648)</u>
Net carrying amount.	<u>36,802</u>	<u>2,710</u>	<u>1,192</u>	<u>40,883</u>	<u>81,587</u>
30 June 2024					
At 1 January 2024:					
Cost.	117,673	8,808	4,006	77,748	208,235
Accumulated depreciation	<u>(80,871)</u>	<u>(6,098)</u>	<u>(2,814)</u>	<u>(36,865)</u>	<u>(126,648)</u>
Net carrying amount.	<u>36,802</u>	<u>2,710</u>	<u>1,192</u>	<u>40,883</u>	<u>81,587</u>
At 1 January 2024, net of accumulated					
depreciation	36,802	2,710	1,192	40,883	81,587
Additions	9,239	–	591	–	9,830
Depreciation provided during the period	<u>(10,967)</u>	<u>(526)</u>	<u>(438)</u>	<u>(1,355)</u>	<u>(13,286)</u>
At 30 June 2024, net of accumulated					
depreciation	<u>35,074</u>	<u>2,184</u>	<u>1,345</u>	<u>39,528</u>	<u>78,131</u>
At 30 June 2024:					
Cost.	121,540	8,808	4,597	77,748	212,693
Accumulated depreciation	<u>(86,466)</u>	<u>(6,624)</u>	<u>(3,252)</u>	<u>(38,220)</u>	<u>(134,562)</u>
Net carrying amount.	<u>35,074</u>	<u>2,184</u>	<u>1,345</u>	<u>39,528</u>	<u>78,131</u>

14. INVESTMENT PROPERTIES

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period:				
Cost	–	–	3,891	3,891
Accumulated depreciation	–	–	(605)	(727)
Net carrying amount	–	–	3,286	3,164
At beginning of year/period, net of accumulated depreciation	–	–	3,286	3,164
Transfer from property, plant and equipment	–	3,357	–	–
Depreciation provided during the year/period (note 6)	–	(71)	(122)	(60)
At end of year/period, net of accumulated depreciation	–	3,286	3,164	3,104
At end of year/period:				
Cost	–	3,891	3,891	3,891
Accumulated depreciation	–	(605)	(727)	(787)
Net carrying amount	–	3,286	3,164	3,104

During the year ended 31 December 2022, the Group ceased to use certain office premise which is classified as property, plant and equipment with a net carrying amount of RMB3,357,000. The Group rented out this office premise and reclassified this office premise as an investment property accordingly.

The investment property is measured at cost. The fair values of the investment property were nil, RMB4,791,000, RMB5,090,000 and RMB5,087,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, based on valuation performed by an independent professionally qualified valuer.

Fair value and fair value hierarchy

The following table illustrates the fair value and fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Office premise	–	–	4,791	4,791

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Office premise	–	–	5,090	5,090

As at 30 June 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Office premise	–	–	5,087	5,087

The fair value of investment properties disclosed in the Historical Financial Information was classified under Level 3 in the fair value hierarchy.

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

Type	Valuation technique	Significant unobservable inputs
Office premise	Market comparison method	Price per square meter

The valuations take into account the characteristics of the properties which included the location, size, floor level, year of completion and other factors collectively.

15. LEASES

The Group as a lessee

The Group has lease contracts for self-operated counters, office premises and leasehold land used in its operations. Leases of self-operated counters generally have lease terms between 1 and 4 years. Leases of office premises generally have lease terms between 1 and 11 years. Leases of leasehold land generally have lease terms within 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include variable lease payments, which are further discussed below.

(a) Right-of-use assets

	Self-operated counters	Office premises	Leasehold land	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	7,380	61,181	–	68,561
Additions	2,837	32,275	–	35,112
Termination	–	(873)	–	(873)
Depreciation provided during the year (note 6)	(4,060)	(18,475)	–	(22,535)
As at 31 December 2021 and 1 January 2022	6,157	74,108	–	80,265
Additions	12,740	3,736	–	16,476
Termination	(694)	(15,713)	–	(16,407)
Increase/(decrease) as a result of lease modifications	278	(86)	–	192
Depreciation provided during the year (note 6)	(7,003)	(19,407)	–	(26,410)
As at 31 December 2022 and 1 January 2023	11,478	42,638	–	54,116
Additions	12,007	3,672	12,654	28,333
Termination	(198)	(6,932)	–	(7,130)
Increase as a result of lease modifications	1,357	4,840	–	6,197
Depreciation provided during the year (note 6)	(10,970)	(18,259)	(233)	(29,462)

	Self-operated counters	Office premises	Leasehold land	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023 and 1 January 2024	13,674	25,959	12,421	52,054
Additions	8,520	12,266	–	20,786
Termination	–	(4,261)	–	(4,261)
Increase as a result of lease modifications	3,682	14,915	–	18,597
Depreciation provided during the period (note 6)	(7,535)	(10,306)	(243)	(18,084)
As at 30 June 2024	<u>18,341</u>	<u>38,573</u>	<u>12,178</u>	<u>69,092</u>

(b) Lease liabilities

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

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	69,433	80,228	52,735	38,960
New leases	34,779	16,342	15,679	20,786
Accretion of interest recognised during the year/period	2,805	3,115	2,033	1,189
Termination	(873)	(18,028)	(7,602)	(4,623)
Lease modifications	–	(82)	6,121	18,318
COVID-19-related rent concessions from lessors	–	(4,422)	–	–
Payments	(25,916)	(24,418)	(30,006)	(20,125)
Carrying amount at end of year/period	<u>80,228</u>	<u>52,735</u>	<u>38,960</u>	<u>54,505</u>
Analysed into:				
Current portion	21,511	21,404	21,683	25,797
Non-current portion	<u>58,717</u>	<u>31,331</u>	<u>17,277</u>	<u>28,708</u>

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Lease liabilities repayable:				
Within 1 year	21,511	21,404	21,683	25,797
1 to 2 years	30,862	21,948	9,740	16,561
2 to 5 years	<u>27,855</u>	<u>9,383</u>	<u>7,537</u>	<u>12,147</u>
Total	<u>80,228</u>	<u>52,735</u>	<u>38,960</u>	<u>54,505</u>

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information.

The Group applied the practical expedient to all eligible COVID-19-related rent concessions granted by the lessors during the year ended 31 December 2022.

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

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on lease liabilities	2,805	3,115	2,033	1,132	1,189
Depreciation charge of right-of-use assets	22,535	26,410	29,229	14,247	17,841
Gain on termination of leases, net . .	–	(1,621)	(472)	(115)	(362)
COVID-19-related rent concessions from lessors	–	(4,422)	–	–	–
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses) .	432	937	6,518	2,786	5,109
Expenses relating to short-term leases and low-value leases (included in administrative expenses and selling and distribution expenses)	5,269	4,002	5,583	2,162	3,830
Total amount recognised in profit or loss	<u>31,041</u>	<u>28,421</u>	<u>42,891</u>	<u>20,212</u>	<u>27,607</u>

(d) *Variable lease payments*

The Group leased a number of retail stores and units in shopping malls that contain variable lease payment terms based on the Group's turnover generated from retail stores and units in the shopping malls. There are also minimum annual base rental arrangements for these leases. The following summary provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

Year ended 31 December 2021

	Fixed payments	Variable payments	Total
	RMB'000	RMB'000	RMB'000
Fixed rent	25,916	–	25,916
Variable rent with minimum payment	–	432	432
Total	<u>25,916</u>	<u>432</u>	<u>26,348</u>

Year ended 31 December 2022

	Fixed payments	Variable payments	Total
	RMB'000	RMB'000	RMB'000
Fixed rent	24,418	–	24,418
Variable rent with minimum payment	–	937	937
Total	<u>24,418</u>	<u>937</u>	<u>25,355</u>

Year ended 31 December 2023

	Fixed payments	Variable payments	Total
	RMB'000	RMB'000	RMB'000
Fixed rent	30,006	–	30,006
Variable rent with minimum payment	–	6,518	6,518
Total	<u>30,006</u>	<u>6,518</u>	<u>36,524</u>

Six months ended 30 June 2024

	<u>Fixed payments</u>	<u>Variable payments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rent	20,125	–	20,125
Variable rent with minimum payment	–	5,109	5,109
Total	<u>20,125</u>	<u>5,109</u>	<u>25,234</u>

Six months ended 30 June 2023 (unaudited)

	<u>Fixed payments</u>	<u>Variable payments</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rent	15,947	–	15,947
Variable rent with minimum payment	–	2,786	2,786
Total	<u>15,947</u>	<u>2,786</u>	<u>18,733</u>

(e) The total cash outflow for leases is disclosed in note 31(c) to the Historical Financial Information.

The Group as a lessor

The Group leases its investment properties (note 14) consisting of certain office premise in Chinese Mainland under operating lease arrangements. The terms of this lease generally requires the tenant to pay security deposits.

Rental income recognised by the Group during the Relevant Periods and the six months ended 30 June 2023 is as follows:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental income from operating leases (note 5)	–	89	328	107	107
	=	<u>89</u>	<u>328</u>	<u>107</u>	<u>107</u>

As at the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating lease with its tenant are as follows:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	–	213	109	218
After one year but within two years	–	213	213	224
After two years but within three years	–	218	218	112
After three years but within four years	–	224	131	19
After four years but within five years	–	130	–	–
Total	–	<u>998</u>	<u>671</u>	<u>573</u>
	=	<u>998</u>	<u>671</u>	<u>573</u>

The Company as a lessee

(a) *Right-of-use assets*

	Office premises
	<i>RMB'000</i>
As at 1 January 2021	2,947
Additions	8,812
Depreciation provided during the year	<u>(3,673)</u>
As at 31 December 2021 and 1 January 2022	8,086
Additions	2,074
Termination	(1,231)
Depreciation provided during the year	<u>(3,895)</u>
As at 31 December 2022 and 1 January 2023	5,034
Decrease as a result of lease modifications	(446)
Depreciation provided during the year	<u>(3,646)</u>
As at 31 December 2023 and 1 January 2024	942
Additions	1,783
Increase as a result of lease modifications	9,278
Depreciation provided during the period	<u>(2,182)</u>
As at 30 June 2024	<u>9,821</u>

(b) *Lease liabilities*

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

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of year/period	4,447	8,818	3,206	–
New leases	8,530	2,074	–	1,783
Accretion of interest recognised during the year/period	344	244	77	164
Termination	–	(1,503)	–	–
Lease modifications	–	–	(364)	9,229
COVID-19-related rent concessions from lessors	–	(3,186)	–	–
Payments	<u>(4,503)</u>	<u>(3,241)</u>	<u>(2,919)</u>	<u>(3,128)</u>
Carrying amount at end of year/period	<u>8,818</u>	<u>3,206</u>	<u>–</u>	<u>8,048</u>
Analysed into:				
Current portion	3,772	3,206	–	1,777
Non-current portion	<u>5,046</u>	<u>–</u>	<u>–</u>	<u>6,271</u>

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Lease liabilities repayable:				
Within 1 year	3,772	3,206	–	1,777
1 to 2 years	5,046	–	–	3,814
2 to 3 years	–	–	–	2,457
Total	<u>8,818</u>	<u>3,206</u>	–	<u>8,048</u>

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information.

16. OTHER INTANGIBLE ASSETS

The Group

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	2,854
Accumulated amortisation	(2,088)
Net carrying amount	<u>766</u>
Cost at 1 January 2021, net of accumulated amortisation	766
Amortisation provided during the year (<i>note 6</i>)	(253)
At 31 December 2021, net of accumulated amortisation	<u>513</u>
At 31 December 2021:	
Cost	2,854
Accumulated amortisation	(2,341)
Net carrying amount	<u>513</u>
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	513
Additions	818
Amortisation provided during the year (<i>note 6</i>)	(325)
At 31 December 2022, net of accumulated amortisation	<u>1,006</u>
At 31 December 2022:	
Cost	3,672
Accumulated amortisation	(2,666)
Net carrying amount	<u>1,006</u>
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	1,006
Additions	2,266
Amortisation provided during the year (<i>note 6</i>)	(717)
At 31 December 2023, net of accumulated amortisation	<u>2,555</u>
At 31 December 2023:	
Cost	5,938
Accumulated amortisation	(3,383)
Net carrying amount	<u>2,555</u>

	Software
	<i>RMB'000</i>
30 June 2024	
Cost at 1 January 2024, net of accumulated amortisation	2,555
Additions	435
Amortisation provided during the period (<i>note 6</i>).	(459)
At 30 June 2024, net of accumulated amortisation	<u>2,531</u>
At 30 June 2024:	
Cost	6,373
Accumulated amortisation.	(3,842)
Net carrying amount	<u>2,531</u>

17. INVESTMENT IN AN ASSOCIATE

	As at 31 December	As at 30 June
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	3,092	11,730
Goodwill on acquisition	6,205	20,339
Total	<u>9,297</u>	<u>32,069</u>

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	As at 31 December	As at 30 June
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Share of the associate's (loss)/profit for the year/period.	(703)	535
Aggregate carrying amount of the Group's investment in the associate	<u>9,297</u>	<u>32,069</u>

18. INVENTORIES

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	27,893	37,908	19,624	15,666
Work in progress	27,567	42,374	32,315	47,443
Finished goods	154,281	219,191	290,267	249,462
Total	<u>209,741</u>	<u>299,473</u>	<u>342,206</u>	<u>312,571</u>

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	<u>182,384</u>	<u>256,796</u>	<u>356,699</u>	<u>304,344</u>

19. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	115,554	114,898	159,523	236,166
Bills receivable	–	1,726	–	–
	<u>115,554</u>	<u>116,624</u>	<u>159,523</u>	<u>236,166</u>
Impairment	(4,675)	(3,125)	(1,846)	(2,420)
Net carrying amount	<u>110,879</u>	<u>113,499</u>	<u>157,677</u>	<u>233,746</u>

The Group's trade receivables usually generate from sales through stores and online platform which helps to collect sales proceeds. The Group usually grants a credit period of within 60 days to the relevant shopping malls, large retailers and online platform. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date, is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	112,251	112,142	157,778	234,306
3 to 6 months	398	790	585	767
6 to 12 months	–	337	246	1
1 to 2 years	944	722	7	185
over 2 years	<u>1,961</u>	<u>907</u>	<u>907</u>	<u>907</u>
Total	<u>115,554</u>	<u>114,898</u>	<u>159,523</u>	<u>236,166</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	2,364	4,675	3,125	1,846
Impairment losses/(reversal of impairment losses), net	2,311	127	(1,279)	574
Amount written off as uncollectible	–	(1,677)	–	–
At end of year/period	<u>4,675</u>	<u>3,125</u>	<u>1,846</u>	<u>2,420</u>

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by ageing and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

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

	As at 31 December 2021		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
Defaulted receivables	3,067	100.00%	3,067
Other trade receivables aged:			
Within 3 months	112,092	1.43%	1,602
3 to 6 months	395	1.52%	6
Total	<u>115,554</u>	4.05%	<u>4,675</u>
	As at 31 December 2022		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
Defaulted receivables	907	100.00%	907
Other trade receivables aged:			
Within 3 months	112,142	1.65%	1,853
3 to 6 months	790	1.39%	11
6 to 12 months	337	1.78%	6
1 to 2 years	722	48.20%	348
Total	<u>114,898</u>	2.72%	<u>3,125</u>
	As at 31 December 2023		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
Defaulted receivables	907	100.00%	907
Other trade receivables aged:			
Within 3 months	157,778	0.59%	932
3 to 6 months	585	0.51%	3
6 to 12 months	246	0.41%	1
1 to 2 years	7	42.86%	3
Total	<u>159,523</u>	1.16%	<u>1,846</u>
	As at 30 June 2024		
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		RMB'000
Defaulted receivables	907	100.00%	907
Other trade receivables aged:			
Within 3 months	234,306	0.61%	1,421
3 to 6 months	767	0.65%	5
6 to 12 months	1	0.00%	–
1 to 2 years	185	47.03%	87
Total	<u>236,166</u>	1.02%	<u>2,420</u>

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

As at 31 December 2021, 2022 and 2023 and 30 June 2024, bills receivable of nil, RMB1,726,000, nil and nil, respectively, whose fair values approximate to their carrying values were classified as financial assets through other comprehensive income under HKFRS 9. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the Relevant Periods.

At 31 December 2021, 2022 and 2023 and 30 June 2024, certain bills receivable accepted by banks in Chinese Mainland (the "Discounted Bills") were discounted to the banks in Chinese Mainland with a carrying amount in aggregate of nil, RMB1,726,000, nil and nil, respectively. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has not transferred substantially all risks and rewards relating to the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Discounted Bills and the undiscounted cash flows to repurchase these Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Discounted Bills are not significant.

The proceeds received from the discount of the Discounted Bills with amounts of nil, RMB1,726,000, nil and nil was recorded as short-term loans as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively (note 25), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills.

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	98,232	91,318	131,704	191,639
Bills receivable	–	1,726	–	–
	98,232	93,044	131,704	191,639
Impairment	(3,714)	(2,363)	(1,312)	(1,858)
Net carrying amount	94,518	90,681	130,392	189,781

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date, is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	95,173	90,387	130,448	190,134
3 to 6 months	398	240	408	659
6 to 12 months	–	29	186	–
1 to 2 years	700	–	–	184
over 2 years	1,961	662	662	662
Total	98,232	91,318	131,704	191,639

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	2,457	3,714	2,363	1,312
Impairment losses/(reversal of impairment losses), net	1,257	326	(1,051)	546
Amount written off as uncollectible	–	(1,677)	–	–
At end of year/period	3,714	2,363	1,312	1,858

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by ageing and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2021			
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>		<i>RMB'000</i>
Defaulted receivables	2,823	100.00%	2,823
Other trade receivables aged:			
Within 3 months	95,014	0.93%	885
3 to 6 months	395	1.52%	6
Total	<u>98,232</u>	3.78%	<u>3,714</u>

As at 31 December 2022			
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>		<i>RMB'000</i>
Defaulted receivables	662	100.00%	662
Other trade receivables aged:			
Within 3 months	90,387	1.88%	1,699
3 to 6 months	240	0.83%	2
6 to 12 months	29	0.00%	–
Total	<u>91,318</u>	2.59%	<u>2,363</u>

As at 31 December 2023			
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>		<i>RMB'000</i>
Defaulted receivables	662	100.00%	662
Other trade receivables aged:			
Within 3 months	130,448	0.50%	647
3 to 6 months	408	0.49%	2
6 to 12 months	186	0.54%	1
Total	<u>131,704</u>	1.00%	<u>1,312</u>

As at 30 June 2024			
	Gross carrying amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>		<i>RMB'000</i>
Defaulted receivables	662	100.00%	662
Other trade receivables aged:			
Within 3 months	190,134	0.58%	1,105
3 to 6 months	659	0.61%	4
6 to 12 months	–	0.00%	–
1 to 2 years	184	47.28%	87
Total	<u>191,639</u>	0.97%	<u>1,858</u>

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	17,164	19,926	37,539	39,744
Deferred listing expense	–	–	–	8,591
Deposits and other receivables (note)	14,246	12,041	137,841	21,864
Deductible input value-added tax	2,343	3,670	3,127	7,270
Tax recoverable	271	293	92	43
	34,024	35,930	178,599	77,512
Impairment allowance	(2,042)	(2,788)	(3,069)	(1,743)
Total	31,982	33,142	175,530	75,769
Analysed into:				
Current portion	31,492	32,188	56,990	75,769
Non-current portion	490	954	118,540	–

Note: Deposits and other receivables mainly represent counter deposits pledged in department stores or shopping malls and rental deposits. As at 31 December 2023, the Company paid a bidding deposit for a parcel of leasehold land in Chinese Mainland amounted to RMB118,540,000, which was transferred to prepayment for leasehold land in January 2024.

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,288	2,042	2,788	3,069
Impairment/(reversal of impairment), net	759	746	281	(1,326)
Amount written off as uncollectible	(5)	–	–	–
At end of year/period	2,042	2,788	3,069	1,743

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	11,632	14,211	13,873	15,487
Deferred listing expense	–	–	–	8,591
Deposits and other receivables	6,318	4,513	124,562	8,381
	17,950	18,724	138,435	32,459
Impairment allowance	(1,717)	(2,242)	(2,242)	(324)
Total	16,233	16,482	136,193	32,135
Analysed into:				
Current portion	15,934	15,619	17,653	32,135
Non-current portion	299	863	118,540	–

An impairment analysis was performed at the end of each of the Relevant Periods. The Company has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Company considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,520	1,717	2,242	2,242
Impairment/(reversal of impairment), net	197	525	–	(1,918)
At end of year/period	<u>1,717</u>	<u>2,242</u>	<u>2,242</u>	<u>324</u>

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Other unlisted investments, at fair value	<u>51,000</u>	–	–	–

The above other unlisted investments were wealth management products issued by banks in Chinese Mainland with a maturity period within one year. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	492,941	889,253	1,141,144	555,087
Less: restricted cash	<u>1,366</u>	<u>1,354</u>	<u>3,250</u>	<u>2,187</u>
Cash and cash equivalents	<u>491,575</u>	<u>887,899</u>	<u>1,137,894</u>	<u>552,900</u>
Denominated in:				
RMB	<u>491,575</u>	<u>887,899</u>	<u>1,137,894</u>	<u>552,900</u>

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

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

Restricted cash represents performance security and third-party payment platform deposits.

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	394,028	731,271	848,831	258,629
Less: restricted cash	1,262	1,250	3,146	2,000
Cash and cash equivalents	<u>392,766</u>	<u>730,021</u>	<u>845,685</u>	<u>256,629</u>
Denominated in:				
RMB	<u>392,766</u>	<u>730,021</u>	<u>845,685</u>	<u>256,629</u>

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	42,504	112,211	103,193	141,605
3 to 6 months	71	660	116	4,661
6 to 12 months	41	5	180	1,175
Over 1 year	522	64	100	203
Total	<u>43,138</u>	<u>112,940</u>	<u>103,589</u>	<u>147,644</u>

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

24. OTHER PAYABLES AND ACCRUALS

The Group

	<i>Notes</i>	As at 31 December			As at 30 June
		2021	2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	(a)	55,071	62,921	86,100	108,041
Other payables	(b)	15,583	16,230	40,943	67,100
Refund liabilities	(c)	–	–	766	1,276
Taxes payable other than corporate income tax		18,935	21,447	30,491	54,321
Accruals		9,984	34,125	33,334	58,127
Payroll payable		56,964	59,241	82,389	86,591
Advances from customers		–	18	344	211
Dividends payable		–	–	25,000	–
Total		<u>156,537</u>	<u>193,982</u>	<u>299,367</u>	<u>375,667</u>

Notes:

- (a) Details of contract liabilities are as follows:

	As at 1 January	As at 31 December			As at 30 June
	2021	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Short-term advances</i>					
<i>received from customers</i>					
Sales of products	4,173	196	10,320	3,614	674
Makeup artistry training					
services and related sales	30,352	23,115	15,634	22,907	39,337
Loyalty points programme	17,678	29,240	34,991	54,514	63,765
Subtotal	52,203	52,551	60,945	81,035	103,776
<i>Liabilities arising from</i>					
<i>sales rebate</i>					
Sales of products	1,454	2,520	1,976	5,065	4,265
Total	<u>53,657</u>	<u>55,071</u>	<u>62,921</u>	<u>86,100</u>	<u>108,041</u>

Contract liabilities mainly include sales of products, sales rebate, makeup artistry training services and related sales and loyalty points programme.

The increase in contract liabilities as of 31 December 2021, 2022 and 2023 were mainly due to the growth of offline sales, which led to more loyalty points generated. The increase in contract liabilities as of 30 June 2024 was mainly due to advances received from customers in relation to makeup artistry training services and related sales and the growth of offline sales revenue, which led to more loyalty points generated.

- (b) Other payables are unsecured, non-interest-bearing and repayable on demand.
- (c) Refund liabilities represented the obligation arising from right of return to refund some or all of the consideration received (or receivable) from a customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each of Relevant Periods.

The Company

	<i>Notes</i>	As at 31 December			As at 30 June
		2021	2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	(a)	22,817	27,784	36,610	44,518
Other payables	(b)	5,976	7,945	6,558	18,406
Taxes payable other than					
corporate income tax		16,772	19,609	24,008	45,332
Accruals		4,166	12,257	15,426	44,841
Payroll payable		36,395	36,485	44,331	50,005
Dividends payable		–	–	25,000	–
Total		<u>86,126</u>	<u>104,080</u>	<u>151,933</u>	<u>203,102</u>

Notes:

- (a) Details of contract liabilities are as follows:

	As at 1 January	As at 31 December			As at 30 June
	2021	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Short-term advances received from customers</i>					
Sales of products	4,921	100	944	42	37
Loyalty points programme	15,734	22,717	26,840	36,568	44,481
	20,655	22,817	27,784	36,610	44,518

Contract liabilities mainly include sales of products and loyalty points programme.

The increase in contract liabilities as of 31 December 2021, 2022 and 2023 and 30 June 2024 were mainly due to the growth of offline sales which led to more loyalty points generated.

- (b) Other payables are unsecured, non-interest-bearing and repayable on demand.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS**The Group**

	Effective interest rate	Maturity	31 December 2022
	(%)		<i>RMB'000</i>
Current			
Discounted bills – secured (<i>note a</i>)	2-2.15	2022	1,726

	Effective interest rate	Maturity	30 June 2024
	(%)		<i>RMB'000</i>
Current			
Interest-bearing bank loans – unsecured (<i>note b</i>)	2.7	2024	100,000

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

Analysed into:

Discounted bills repayable:				
Within one year	–	1,726	–	–
Interest-bearing bank loans:				
Within one year	–	–	–	100,000
Total	–	1,726	–	100,000
	=	=	=	=

Notes:

- (a) As at 31 December 2022, the Group's notes receivable, which had an aggregate net carrying value of approximately RMB1,726,000 were pledged to secure the bank loans granted to the Group (note 19).
- (b) As at 30 June 2024, the Group's banking facilities amounting to RMB300,000,000, of which RMB100,000,000 had been utilised.

The Company

	Effective interest rate	Maturity	31 December 2022
	(%)		RMB'000
Current			
Discounted bills – secured (<i>note</i>)	2-2.15	2022	1,726

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000

Analysed into:

Discounted bills repayable:

Within one year	=	<u>1,726</u>	=	=
---------------------------	---	--------------	---	---

Note: As at 31 December 2022, the Company's notes receivable, which had an aggregate net carrying value of approximately RMB1,726,000 were pledged to secure the bank loans granted to the Group (*note* 19).

26. PROVISION

	Warranties
	RMB'000
At 1 January 2023	–
Additional provision	374
At 31 December 2023 and 1 January 2024	<u>374</u>
Additional provision	98
Amounts utilised during the period	<u>(374)</u>
At 30 June 2024	<u>98</u>

The Group provides 7-day to three-year warranties to its customers on certain of its products sold. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of replacements. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

27. DEFERRED TAX**The Group**

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

Deferred tax assets

	Impairment of trade and other receivables	Impairment of inventories	Unredeemed member loyalty points	Unrealised profits from inter- company transactions	Lease liabilities	Accrued expense	Refund liabilities and provision	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	905	333	4,384	6,147	–	2,045	–	–	13,814
Deferred tax credited/(charged) to profit or loss during the year (<i>note</i> 10)	<u>741</u>	<u>699</u>	<u>2,856</u>	<u>10,153</u>	<u>19,413</u>	<u>(98)</u>	–	–	<u>33,764</u>
At 31 December 2021 and 1 January 2022	1,646	1,032	7,240	16,300	19,413	1,947	–	–	47,578
Deferred tax credited/(charged) to profit or loss during the year (<i>note</i> 10)	<u>(259)</u>	<u>542</u>	<u>1,385</u>	<u>7,366</u>	<u>(7,806)</u>	<u>186</u>	–	<u>7,682</u>	<u>9,096</u>

	Impairment of trade and other receivables	Impairment of inventories	Unredeemed member loyalty points	Unrealised profits from inter- company transactions	Lease liabilities	Accrued expense	Refund liabilities and provision	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 and 1 January 2023	1,387	1,574	8,625	23,666	11,607	2,133	-	7,682	56,674
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(245)	399	4,650	(4,683)	(3,000)	2,003	285	(4,378)	(4,969)
At 31 December 2023 and 1 January 2024	1,142	1,973	13,275	18,983	8,607	4,136	285	3,304	51,705
Deferred tax credited/(charged) to profit or loss during the period (note 10)	(101)	(154)	1,530	(3,122)	5,019	(191)	8	(2,751)	238
At 30 June 2024	<u>1,041</u>	<u>1,819</u>	<u>14,805</u>	<u>15,861</u>	<u>13,626</u>	<u>3,945</u>	<u>293</u>	<u>553</u>	<u>51,943</u>

Deferred tax liabilities

	Right-of-use assets	Right-of-return assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2021	-	-	-
Deferred tax charged to profit or loss during the year (note 10)	19,379	-	19,379
At 31 December 2021 and 1 January 2022	19,379	-	19,379
Deferred tax credited to profit or loss during the year (note 10)	(7,457)	-	(7,457)
At 31 December 2022 and 1 January 2023	11,922	-	11,922
Deferred tax charged/(credited) to profit or loss during the year (note 10)	(3,216)	29	(3,187)
At 31 December 2023 and 1 January 2024	8,706	29	8,735
Deferred tax charged/(credited) to profit or loss during the period (note 10)	5,523	(29)	5,494
At 30 June 2024	<u>14,229</u>	<u>-</u>	<u>14,229</u>

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

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<u>28,199</u>	<u>44,752</u>	<u>42,970</u>	<u>37,714</u>

Deferred tax assets have not been recognised in respect of the following item:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	<u>12,951</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group has tax losses arising in Chinese Mainland of RMB12,951,000, nil, nil and nil as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Company

Deferred tax assets

	Impairment of trade and other receivables	Impairment of inventories	Unredeemed member loyalty points	Lease liabilities	Accrued expense	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	994	–	3,934	–	–	4,928
Deferred tax credited to profit or loss during the year	<u>364</u>	<u>511</u>	<u>1,745</u>	<u>2,205</u>	<u>–</u>	<u>4,825</u>
At 31 December 2021 and 1 January 2022	1,358	511	5,679	2,205	–	9,753
Deferred tax credited/(charged) to profit or loss during the year	<u>(207)</u>	<u>586</u>	<u>1,031</u>	<u>(1,403)</u>	<u>–</u>	<u>7</u>
At 31 December 2022 and 1 January 2023	1,151	1,097	6,710	802	–	9,760
Deferred tax credited/(charged) to profit or loss during the year	<u>(262)</u>	<u>402</u>	<u>2,432</u>	<u>(802)</u>	<u>1,887</u>	<u>3,657</u>
At 31 December 2023 and 1 January 2024	889	1,499	9,142	–	1,887	13,417
Deferred tax credited/(charged) to profit or loss during the period	<u>(343)</u>	<u>(80)</u>	<u>1,978</u>	<u>2,012</u>	<u>–</u>	<u>3,567</u>
At 30 June 2024	<u>546</u>	<u>1,419</u>	<u>11,120</u>	<u>2,012</u>	<u>1,887</u>	<u>16,984</u>

Deferred tax liabilities

	Right-of-use assets
	<i>RMB'000</i>
At 1 January 2021	–
Deferred tax charged to profit or loss during the year	<u>2,022</u>
At 31 December 2021 and 1 January 2022	2,022
Deferred tax credited to profit or loss during the year	<u>(763)</u>
At 31 December 2022 and 1 January 2023	1,259
Deferred tax credited to profit or loss during the year	<u>(1,023)</u>
At 31 December 2023 and 1 January 2024	236
Deferred tax charged to profit or loss during the period	<u>2,219</u>
At 30 June 2024	<u>2,455</u>

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

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the statement of financial position	7,731	8,501	13,181	14,529

28. SHARE CAPITAL

The Group and the Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Authorised:				
Ordinary shares with par value of RMB1.00 each	60,000	60,000	60,000	200,000
Issued and fully paid:				
Ordinary shares with par value of RMB1.00 each	60,000	60,000	60,000	200,000

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

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	60,000,000	60,000
Share conversion (<i>note (a)</i>)	140,000,000	140,000
At 30 June 2024	200,000,000	200,000

Note:

- (a) On 21 March 2024, the share capital of the Company increased from RMB60,000,000 to RMB200,000,000 through conversion of share premium and statutory surplus reserve with amount of RMB49,550,000 and RMB90,450,000, respectively, which was divided into 200,000,000 shares with a par value of RMB1.00 each.

29. SHARE AWARDS

On 1 April 2024, the Company adopted an employee incentive scheme (“Employee Incentive Scheme”), which was valid and effective commencing from its adoption date and subject to termination by the Company in accordance with the terms and conditions of the Employee Incentive Scheme. The shares underlying the awards granted under the Employee Incentive Scheme are held by Hangzhou Dijing Investment Management Partnership (“Dijing Investment”), a shareholder of the Company.

On 2 April 2024, total 600,000 shares of the Company with par value of RMB1.00 each were granted to certain of senior management and employees of the Company in respect of their services to the Group in the past and forthcoming year for a consideration of RMB1,800,000. The shares shall be repurchased at the original cost if the Group is not listed on any stock exchange in 24 months from the date of the listing application submission. 250,000 shares were granted to a senior management and he should be remained at the Group at least during the period which is the earlier of the Company’s shares being listed on any stock exchange or 12 months from the date of the listing application submission. The remaining 350,000 shares were granted to a senior management and two employees, each one-third of the shares shall be vested on each anniversary of the date of the financial year end of the year in which the Company’s shares are listed on any of the stock exchange.

The following share awards were outstanding under the Employee Incentive Scheme during the Relevant Periods:

	<u>Weighted average subscription price</u>	<u>Number of shares</u>
	<i>RMB per share</i>	
At 1 January 2024.	–	–
Granted during the period	3.00	600,000
At 30 June 2024	3.00	<u>600,000</u>

The weighted average subscription price for share awards during the Relevant Periods was RMB3.00 per share. No share awards were exercised during the Relevant Periods.

The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted and the subscription price paid by employees. The fair value of the shares granted is measured at the market value of the shares. The fair value of the Employee Incentive Scheme granted was approximately RMB20,100,000, of which the Group recognised a share-based compensation expense of RMB5,008,000 for the six months ended 30 June 2024.

30. RESERVES**The Group**

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

Share premium

Share premium of the Company represent the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in November 2015.

On 21 March 2024, share premium of RMB49,550,000 was converted into share capital (note 28).

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC accounting standards, to its statutory surplus reserve until the reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

On 21 March 2024, statutory surplus reserve of RMB90,450,000 was converted into share capital (note 28).

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as below:

	Share premium	Share award scheme reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	49,550	–	51,511	291,276	392,337
Profit and total comprehensive income for the year	–	–	–	292,592	292,592
Dividends declared to shareholders	–	–	–	(40,000)	(40,000)
Transfer to statutory surplus reserves	–	–	28,793	(28,793)	–
At 31 December 2021 and 1 January 2022	49,550	–	80,304	515,075	644,929
Profit and total comprehensive income for the year	–	–	–	278,911	278,911
Transfer to statutory surplus reserves	–	–	28,228	(28,228)	–
At 31 December 2022 and 1 January 2023	49,550	–	108,532	765,758	923,840
Profit and total comprehensive income for the year	–	–	–	668,342	668,342
Dividends declared to shareholders	–	–	–	(250,000)	(250,000)
At 31 December 2023 and 1 January 2024	49,550	–	108,532	1,184,100	1,342,182
Equity-settled share award expense	–	5,008	–	–	5,008
Profit and total comprehensive income for the period	–	–	–	436,656	436,656
Share conversion	(49,550)	–	(90,450)	–	(140,000)
Dividends declared to shareholders	–	–	–	(1,000,000)	(1,000,000)
Transfer to statutory surplus reserves	–	–	81,918	(81,918)	–
At 30 June 2024	<u>–</u>	<u>5,008</u>	<u>100,000</u>	<u>538,838</u>	<u>643,846</u>

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB34,779,000, RMB16,342,000, RMB15,679,000 and RMB20,786,000, respectively, in respect of lease arrangements for self-operated counters and office premises.

During the year ended 31 December 2023, bills receivable of RMB1,726,000 was derecognised upon maturity and offset against interest-bearing bank and other borrowings.

During the six months ended 30 June 2024, prepayment for leasehold land amounted to RMB118,540,000 was transferred from a bidding deposit paid in 2023.

During the six months ended 30 June 2024, the Group obtained interest-bearing bank loans amounting to RMB100,000,000 and the Group received cash amounting to RMB98,628,000, while RMB1,372,000 was deducted by the bank as interest simultaneously.

(b) Changes in liabilities arising from financing activities

	Bank and other loans	Lease liabilities	Dividends payable
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	–	69,433	–
Dividends declared	–	–	40,000
Changes from financing cash flows	–	(25,916)	(40,000)
Reduction as a result of lease termination	–	(873)	–
New leases	–	34,779	–
Interest expense accrued	–	2,805	–
	<u>–</u>	<u>80,228</u>	<u>–</u>
At 31 December 2021 and 1 January 2022	–	80,228	–
Changes from financing cash flows	1,726	(24,418)	–
Reduction as a result of lease termination	–	(18,028)	–
Lease modifications	–	(82)	–
COVID-19-related rent concessions from lessors	–	(4,422)	–
New leases	–	16,342	–
Interest expense accrued	–	3,115	–
	<u>1,726</u>	<u>52,735</u>	<u>–</u>
At 31 December 2022 and 1 January 2023	1,726	52,735	–
Dividends declared	–	–	250,000
Changes from financing cash flows	–	(30,006)	(225,000)
Changes from non-cash activities	(1,726)	–	–
Reduction as a result of lease termination	–	(7,602)	–
Lease modifications	–	6,121	–
New leases	–	15,679	–
Interest expense accrued	–	2,033	–
	<u>–</u>	<u>38,960</u>	<u>25,000</u>
At 31 December 2023 and 1 January 2024	–	38,960	25,000
Dividends declared	–	–	1,000,000
Changes from financing cash flows	98,628	(20,125)	(1,025,000)
Reduction as a result of lease termination	–	(4,623)	–
Lease modifications	–	18,318	–
New leases	–	20,786	–
Interest expense accrued	1,372	1,189	–
	<u>100,000</u>	<u>54,505</u>	<u>–</u>
At 30 June 2024	<u>100,000</u>	<u>54,505</u>	<u>–</u>
At 1 January 2023	1,726	52,735	–
Dividends declared (unaudited)	–	–	250,000
Changes from financing cash flows (unaudited)	–	(15,947)	(225,000)
Changes from non-cash activities (unaudited)	(1,726)	–	–
Reduction as a result of lease termination (unaudited)	–	(4,002)	–
Lease modifications (unaudited)	–	892	–
New leases (unaudited)	–	9,942	–
Interest expense accrued (unaudited)	–	1,132	–
	<u>–</u>	<u>44,752</u>	<u>25,000</u>
At 30 June 2023 (unaudited)	<u>–</u>	<u>44,752</u>	<u>25,000</u>

(c) Total cash outflow for leases

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

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating activities	5,701	4,939	12,101	4,948	8,939
Within investing activities	–	–	12,654	–	–
Within financing activities	25,916	24,418	30,006	15,947	20,125
Total	<u>31,617</u>	<u>29,357</u>	<u>54,761</u>	<u>20,895</u>	<u>29,064</u>

32. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Leasehold land	–	–	–	296,345
Construction in progress	–	–	137,260	112,647
Total	–	–	<u>137,260</u>	<u>408,992</u>

Contractual commitments of construction in progress were mainly related to the ongoing construction of the Group's production facility in Hangzhou and Hangzhou R&D Center. Contractual commitment of leasehold land was related to the acquisition of a land use right in January 2024 where a prepayment amounting to RMB296,345,000 was made by the Group as at 30 June 2024 with the remaining consideration of RMB296,345,000 to be paid in January 2025. Besides the above contractual commitments, the Group entered into an investment and development agreement with the local governmental authority for a parcel of land in January 2024, pursuant to which the Group agreed to use the parcel of land for the construction of its headquarters to be completed within an agreed-upon timeframe and with total construction and installment costs of no less than RMB400,000,000.

33. RELATED PARTY TRANSACTIONS

Name	Relationship
Hangzhou Shangdu Technology Co., Ltd. ("Shangdu Technology")	An entity controlled by a shareholder
Hangzhou Kuangyan Trading Co., Ltd. ("Hangzhou Kuangyan")	An entity controlled by a shareholder
Huamei Kangyan (Suzhou) Biotechnology Co., Ltd ("Huamei Kangyan")	An associate
Shanghai Mao Geping Image Design Art Vocational Training Institution ("Shanghai Institution")	Non-profit organisation established by Mao Geping Image Design
Beijing Chaoyang Mao Geping Image Design Skills Vocational Training Institution ("Beijing Institution")	Non-profit organisation established by Mao Geping Image Design
Dijing Investment	An entity controlled by shareholders
Hangzhou Jiachi Investment Management Partnership (Limited Partnership) ("Jiachi Investment")	An entity controlled by shareholders

- (a) The Group had the following transactions with related parties during the Relevant Periods and the six months ended 30 June 2023:

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Sales of products to:						
Shangdu Technology	(i)	16	–	–	–	–
Hangzhou Kuangyan	(i)	–	135	–	–	–
		<u>16</u>	<u>135</u>	<u>–</u>	<u>–</u>	<u>–</u>
Purchases of products from:						
Huamei Kangyan	(ii)	–	–	15,286	–	8,594
		<u>–</u>	<u>–</u>	<u>15,286</u>	<u>–</u>	<u>8,594</u>
Purchases of property, plant and equipment from:						
Beijing Institution	(ii)	17	–	–	–	–
		<u>17</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Rental and property management fees payment to:						
Shangdu Technology	(iii)	3,577	3,718	4,420	2,210	2,521
		<u>3,577</u>	<u>3,718</u>	<u>4,420</u>	<u>2,210</u>	<u>2,521</u>
Payments on behalf by:						
Shanghai Institution	(v)	–	31	–	–	–
		<u>–</u>	<u>31</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loans to:						
Dijing Investment.	(iv)	–	–	–	–	165,000
Jiachi Investment	(iv)	–	–	–	–	100,000
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>265,000</u>
Interest income from:						
Dijing Investment	(iv)	–	–	–	–	193
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>193</u>
Payable on behalf of:						
Mr. Mao Geping	(vi)	–	–	–	–	11,936
Ms. Wang Liquan	(vi)	–	–	–	–	3,104
Ms. Mao Niping	(vi)	–	–	–	–	3,104
Ms. Mao Huiping	(vi)	–	–	–	–	2,626
Mr. Wang Lihua	(vi)	–	–	–	–	1,671
Ms. Song Hongquan	(vi)	–	–	–	–	1,432
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>23,873</u>

Notes:

- (i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (iii) The rental and property management fees were charged with reference to prices mutually agreed between the parties.
- (iv) According to the loan agreement signed by the Group, Dijing Investment and Jiachi Investment on 16 January 2024, the Group agreed to provide loans up to RMB300,000,000 to Dijing Investment and Jiachi Investment in aggregate. Each loan is unsecured and repayable in three months with interest at 2.4% per annum.

For the six months ended 30 June 2024, the Group provided loans amounted to RMB165,000,000 and RMB100,000,000 to Dijing Investment and Jiachi Investment, respectively, which were all repaid at 30 June 2024.

- (v) The amounts paid on behalf by Shanghai Institution are for daily operating fees.
- (vi) The amounts of payable on behalf of the directors are withholding individual income tax payable to the relevant tax authorities arising from conversion of share premium and statutory surplus reserve into share capital.
- (vii) On 1 April 2024, the Company, Mr. Mao Geping, Ms. Wang Liqun, Ms. Mao Niping, Ms. Mao Huiping, Mr. Wang Lihua and Ms. Song Hongquan entered into a share transfer agreement, pursuant to which the Company agreed to transfer 22.80% equity interest of Hangzhou Shang Du Hui to them at nil consideration. Since the share capital pertaining to 22.80% equity interest of Hangzhou Shang Du Hui has not yet been paid, the related capital contribution obligations were transferred to transferees simultaneously.
- (b) Outstanding balances with related parties:

The Group

<i>Notes</i>	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due to related parties				
(trade)				
Shanghai Institution	(i) –	31	–	–
Huamei Kangyan	(i) –	–	1,135	502
	–	31	1,135	502
	<u>–</u>	<u>31</u>	<u>1,135</u>	<u>502</u>
Lease liabilities				
(trade)				
Shangdu Technology	(ii) 10,664	7,914	3,741	2,244
	<u>10,664</u>	<u>7,914</u>	<u>3,741</u>	<u>2,244</u>

Notes:

- (i) As at 31 December 2022 and 2023 and 30 June 2024, the Group's outstanding balances with related parties are unsecured, interest-free and repayable on demand.
- (ii) The Group has entered into several lease agreements in respect of office premises with Shangdu Technology. The transactions were made according to the price and terms agreed with Shangdu Technology.

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

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, bonuses, allowances and benefits in kind	17,699	22,502	27,187	12,342	12,558
Equity-settled share award expense	–	–	–	–	4,375
Pension scheme contributions	376	405	461	213	250
Total compensation paid to key management personnel	<u>18,075</u>	<u>22,907</u>	<u>27,648</u>	<u>12,555</u>	<u>17,183</u>

Further details of directors' and the supervisors' emoluments are included in note 8 to the Historical Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

31 December 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	RMB'000		
Trade receivables	–	110,879	110,879
Financial assets included in prepayments, other receivables and other assets	–	12,204	12,204
Financial assets at fair value through profit or loss	51,000	–	51,000
Restricted cash	–	1,366	1,366
Cash and cash equivalents	–	<u>491,575</u>	<u>491,575</u>
Total	<u>51,000</u>	<u>616,024</u>	<u>667,024</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	43,138
Financial liabilities included in other payables and accruals	25,567
Lease liabilities	<u>80,228</u>
Total	<u>148,933</u>

31 December 2022

Financial assets

	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
	Debt investments			
	<i>RMB'000</i>	<i>RMB'000</i>		
Trade and bills receivables	1,726		111,773	113,499
Financial assets included in prepayments, other receivables and other assets	–		9,253	9,253
Restricted cash	–		1,354	1,354
Cash and cash equivalents	–		887,899	887,899
Total	1,726		1,010,279	1,012,005

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade payables	112,940
Financial liabilities included in other payables and accruals	50,355
Interest-bearing bank and other borrowings	1,726
Due to related parties	31
Lease liabilities	52,735
Total	217,787

31 December 2023

Financial assets

	Financial assets at amortised cost
	<i>RMB'000</i>
Trade receivables	157,677
Financial assets included in prepayments, other receivables and other assets	134,772
Restricted cash	3,250
Cash and cash equivalents	1,137,894
Total	1,433,593

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade payables	103,589
Financial liabilities included in other payables and accruals	99,277
Due to related parties	1,135
Lease liabilities	38,960
Total	242,961

30 June 2024

Financial assets

	Financial assets at amortised cost
	<i>RMB'000</i>
Trade receivables	233,746
Financial assets included in prepayments, other receivables and other assets	20,121
Restricted cash	2,187
Cash and cash equivalents	<u>552,900</u>
Total	<u>808,954</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade payables	147,644
Financial liabilities included in other payables and accruals	125,227
Interest-bearing bank and other borrowings	100,000
Due to related parties	502
Lease liabilities	<u>54,505</u>
Total	<u>427,878</u>

The Company

31 December 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	–	94,518	94,518
Financial assets included in prepayments, other receivables and other assets	–	4,601	4,601
Financial assets at fair value through profit or loss	51,000	–	51,000
Due from subsidiaries	–	48,505	48,505
Restricted cash	–	1,262	1,262
Cash and cash equivalents	–	<u>392,766</u>	<u>392,766</u>
Total	<u>51,000</u>	<u>541,652</u>	<u>592,652</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade payables	57
Financial liabilities included in other payables and accruals	10,142
Due to subsidiaries	67,166
Lease liabilities	8,818
Total	<u>86,183</u>

31 December 2022

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Debt investments		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	1,726	88,955	90,681
Financial assets included in prepayments, other receivables and other assets	–	2,271	2,271
Due from subsidiaries	–	34,337	34,337
Restricted cash	–	1,250	1,250
Cash and cash equivalents	–	730,021	730,021
Total	<u>1,726</u>	<u>856,834</u>	<u>858,560</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade payables	101
Financial liabilities included in other payables and accruals	20,202
Interest-bearing bank and other borrowings	1,726
Due to subsidiaries	118,558
Lease liabilities	3,206
Total	<u>143,793</u>

31 December 2023

Financial assets

	Financial assets at amortised cost
	<i>RMB'000</i>
Trade receivables	130,392
Financial assets included in prepayments, other receivables and other assets	122,320
Due from subsidiaries	34,119
Restricted cash	3,146
Cash and cash equivalents	845,685
Total	<u>1,135,662</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade payables	57
Financial liabilities included in other payables and accruals	46,984
Due to subsidiaries	106,424
Total	<u>153,465</u>

30 June 2024

Financial assets

	Financial assets at amortised cost
	<i>RMB'000</i>
Trade receivables	189,781
Financial assets included in prepayments, other receivables and other assets	8,057
Due from subsidiaries	72,909
Restricted cash	2,000
Cash and cash equivalents	256,629
Total	<u>529,376</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade payables	57
Financial liabilities included in other payables and accruals	63,247
Due to subsidiaries	275,851
Lease liabilities	8,048
Total	<u>347,203</u>

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The fair values of the bills receivable classified as financial assets at fair value through other comprehensive income under HKFRS 9 as at the end of each of the Relevant Periods have been calculated by discounting the expected future cash flows, which are the par values of the bills receivable. In addition, the bills receivable will mature within one year, and thus their fair values approximate to their carrying values.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's and the Company's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Financial assets at fair value through profit or loss	–	51,000	–	51,000
	=	<u>51,000</u>	=	<u>51,000</u>

As at 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Financial assets at fair value through other comprehensive income . . .	–	1,726	–	1,726
	=	<u>1,726</u>	=	<u>1,726</u>

The Group and the Company did not have any financial assets measured at fair value as at 31 December 2023 and 30 June 2024.

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2021, 2022 and 2023 and 30 June 2024.

During the years ended 31 December 2021 and 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, other payables and accruals and trade payables, which arise directly from its operations.

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

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year/period-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 December 2021, 2022 and 2023 and 30 June 2024. The amounts presented are gross carrying amounts for financial assets.

The Group

31 December 2021

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	115,554	115,554
Financial assets included in prepayments, other receivables and other assets					
– Normal**	12,204	–	–	–	12,204
– Doubtful**	–	–	2,042	–	2,042
Restricted cash					
– Normal	1,366	–	–	–	1,366
Cash and cash equivalents					
– Not yet past due	491,575	–	–	–	491,575
Total	<u>505,145</u>	<u>–</u>	<u>2,042</u>	<u>115,554</u>	<u>622,741</u>

31 December 2022

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	114,898	114,898
Bills receivable					
– Normal**	1,726	–	–	–	1,726
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,253	–	–	–	9,253
– Doubtful**	–	–	2,788	–	2,788
Restricted cash					
– Normal	1,354	–	–	–	1,354
Cash and cash equivalents					
– Not yet past due	887,899	–	–	–	887,899
Total	<u>900,232</u>	<u>–</u>	<u>2,788</u>	<u>114,898</u>	<u>1,017,918</u>

31 December 2023

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	159,523	159,523
Financial assets included in prepayments, other receivables and other assets					
– Normal**	134,772	–	–	–	134,772
– Doubtful**	–	–	3,069	–	3,069
Restricted cash					
– Normal	3,250	–	–	–	3,250
Cash and cash equivalents					
– Not yet past due	1,137,894	–	–	–	1,137,894
Total	<u>1,275,916</u>	<u>–</u>	<u>3,069</u>	<u>159,523</u>	<u>1,438,508</u>

30 June 2024

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	236,166	236,166
Financial assets included in prepayments, other receivables and other assets					
– Normal**	20,121	–	–	–	20,121
– Doubtful**	–	–	1,743	–	1,743
Restricted cash					
– Normal	2,187	–	–	–	2,187
Cash and cash equivalents					
– Not yet past due	552,900	–	–	–	552,900
Total	<u>575,208</u>	<u>–</u>	<u>1,743</u>	<u>236,166</u>	<u>813,117</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

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

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 19 to the Historical Financial Information.

The Company

31 December 2021

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	98,232	98,232
Due from subsidiaries	48,505	–	–	–	48,505
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,601	–	–	–	4,601
– Doubtful**	–	–	1,717	–	1,717
Restricted cash					
– Normal	1,262	–	–	–	1,262
Cash and cash equivalents					
– Not yet past due	392,766	–	–	–	392,766
Total	447,134	–	1,717	98,232	547,083

31 December 2022

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	91,318	91,318
Bills receivable					
– Normal**	1,726	–	–	–	1,726
Due from subsidiaries	34,337	–	–	–	34,337
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,271	–	–	–	2,271
– Doubtful**	–	–	2,242	–	2,242
Restricted cash					
– Normal	1,250	–	–	–	1,250
Cash and cash equivalents					
– Not yet past due	730,021	–	–	–	730,021
Total	769,605	–	2,242	91,318	863,165

31 December 2023

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	131,704	131,704
Due from subsidiaries	34,119	–	–	–	34,119
Financial assets included in prepayments, other receivables and other assets					
– Normal**	122,320	–	–	–	122,320
– Doubtful**	–	–	2,242	–	2,242
Restricted cash					
– Normal	3,146	–	–	–	3,146
Cash and cash equivalents					
– Not yet past due	845,685	–	–	–	845,685
Total	<u>1,005,270</u>	<u>–</u>	<u>2,242</u>	<u>131,704</u>	<u>1,139,216</u>

30 June 2024

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	191,639	191,639
Due from subsidiaries	72,909	–	–	–	72,909
Financial assets included in prepayments, other receivables and other assets					
– Normal**	8,057	–	–	–	8,057
– Doubtful**	–	–	324	–	324
Restricted cash					
– Normal	2,000	–	–	–	2,000
Cash and cash equivalents					
– Not yet past due	256,629	–	–	–	256,629
Total	<u>339,595</u>	<u>–</u>	<u>324</u>	<u>191,639</u>	<u>531,558</u>

* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

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

Further quantitative data in respect of the Company's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Historical Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of other borrowings.

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

The Group

	31 December 2021				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	634	42,504	–	–	43,138
Financial liabilities included in other payables and accruals . .	623	17,288	7,656	–	25,567
Lease liabilities	–	7,298	18,513	64,583	90,394
Total	<u>1,257</u>	<u>67,090</u>	<u>26,169</u>	<u>64,583</u>	<u>159,099</u>
	31 December 2022				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	729	112,211	–	–	112,940
Interest-bearing bank and other borrowings	–	–	1,726	–	1,726
Due to related parties	–	31	–	–	31
Financial liabilities included in other payables and accruals . .	1,926	40,919	7,510	–	50,355
Lease liabilities	–	6,995	16,441	33,456	56,892
Total	<u>2,655</u>	<u>160,156</u>	<u>25,677</u>	<u>33,456</u>	<u>221,944</u>
	31 December 2023				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	396	103,193	–	–	103,589
Due to related parties	–	1,135	–	–	1,135
Financial liabilities included in other payables and accruals . .	28,382	59,225	11,670	–	99,277
Lease liabilities	–	8,375	15,347	17,540	41,262
Total	<u>28,778</u>	<u>171,928</u>	<u>27,017</u>	<u>17,540</u>	<u>245,263</u>

30 June 2024

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	6,039	141,605	–	–	147,644
Interest-bearing bank and other borrowings	–	–	100,000	–	100,000
Due to related parties	–	502	–	–	502
Financial liabilities included in other payables and accruals	10,955	105,416	8,856	–	125,227
Lease liabilities	–	6,661	23,076	30,158	59,895
Total	<u>16,994</u>	<u>254,184</u>	<u>131,932</u>	<u>30,158</u>	<u>433,268</u>

The Company

31 December 2021

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	57	–	–	57
Financial liabilities included in other payables and accruals	520	8,853	769	–	10,142
Due to subsidiaries	67,166	–	–	–	67,166
Lease liabilities	–	373	4,154	5,551	10,078
Total	<u>67,686</u>	<u>9,283</u>	<u>4,923</u>	<u>5,551</u>	<u>87,443</u>

31 December 2022

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	101	–	–	101
Financial liabilities included in other payables and accruals	1,793	18,070	339	–	20,202
Due to subsidiaries	118,558	–	–	–	118,558
Lease liabilities	–	–	3,510	–	3,510
Total	<u>120,351</u>	<u>18,171</u>	<u>3,849</u>	<u>–</u>	<u>142,371</u>

	31 December 2023				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	57	–	–	57
Financial liabilities included in other payables and accruals . .	27,780	18,765	439	–	46,984
Due to subsidiaries	106,424	–	–	–	106,424
Total	134,204	18,822	439	–	153,465

	30 June 2024				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	57	–	–	–	57
Financial liabilities included in other payables and accruals . .	10,188	52,780	279	–	63,247
Due to subsidiaries	175,851	–	100,000	–	275,851
Lease liabilities	–	1,859	3,751	6,568	12,178
Total	186,096	54,639	104,030	6,568	351,333

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is debt divided by total assets. Debt includes lease liabilities, trade payables, other payables and accruals and interest-bearing bank and other borrowings. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	–	1,726	–	100,000
Lease liabilities	80,228	52,735	38,960	54,505
Trade payables	43,138	112,940	103,589	147,644
Other payables and accruals	156,537	193,982	299,367	375,667
Debt	279,903	361,383	441,916	677,816
Total assets	1,130,944	1,555,910	2,094,568	1,836,301
Gearing ratio	24.75%	23.23%	21.10%	36.91%

37. INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Investments, at cost	28,963	28,963	138,963	461,963

38. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

As at 31 December 2021, 2022 and 2023 and 30 June 2024, amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of balances with subsidiaries approximate to their fair values.

39. EVENTS AFTER THE RELEVANT PERIODS

To facilitate the development of the property held by Hangzhou Shang Du Hui and speed up the relevant administrative procedures, on 23 October 2024, the Company acquired the remaining 22.8% of Hangzhou Shang Du Hui's equity interest at a consideration of RMB96,000,000, which was equal to the total contribution made by Mr. Mao Geping, Ms. Wang Liqun, Ms. Mao Niping, Ms. Mao Huiping, Mr. Wang Lihua and Ms. Song Hongquan. Upon the transfer, Hangzhou Shang Du Hui became a direct wholly-owned subsidiary of the Company.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2024.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as if the Global Offering had taken place on 30 June 2024.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the parent had the Global Offering been completed as of 30 June 2024 or at any future date. It is prepared based on the consolidated net tangible assets attributable to owners of the parent as at 30 June 2024 as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Consolidated net tangible assets attributable to owners of the parent as at 30 June 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent immediately after completion of the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share immediately after completion of the Global Offering	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$26.30 per Share	1,040,321	1,612,000	2,652,321	5.64	6.10
Based on an Offer Price of HK\$29.80 per Share	1,040,321	1,831,226	2,871,547	6.10	6.60

Notes:

- (1) The consolidated net tangible assets attributable to owners of the parent as at 30 June 2024 is arrived at after deducting other intangible assets of RMB2,531,000 from the consolidated net assets attributable to owners of the parent of RMB1,042,852,000 as at 30 June 2024, as shown in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are calculated based on estimated offer prices of HK\$26.30 per Share or HK\$29.80 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB16,509,000 which have been charged to profit or loss during the Track Record Period) and do not take into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and/or the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are calculated based on 470,588,200 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and/or Over-allotment Option.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB0.9244 to HK\$1.00.
- (5) No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to 30 June 2024.
- (6) By comparing the valuation of the Group's properties set out in the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated 6 November 2024, the net valuation surplus is approximately HK\$32,789,000 as compared to the carrying amounts of the properties as at 31 October 2024, which has not been included in the above consolidated net tangible assets of the Group. The valuation surplus of the properties will not be incorporated in the Group's consolidated financial statements in the future. If the valuation surplus were to be included in the Group's consolidated financial statements, an additional annual depreciation charge of approximately HK\$820,000 would be incurred.
- (7) No dividend has been declared by the Company subsequent to 30 June 2024.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the Directors of Mao Geping Cosmetics Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Mao Geping Cosmetics Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2024, and related notes as set out on pages II-1 to II-2 of the prospectus dated 2 December 2024 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 June 2024 as if the transaction had taken place at 30 June 2024. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 30 June 2024, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young

Certified Public Accountants

Hong Kong

2 December 2024

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2024 of the selected property held by Mao Geping Cosmetics Co., Ltd.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

2 December 2024

The Board of Directors
Mao Geping Cosmetics Co., Ltd.
Room 1001, Wanyin Building
Shangcheng District
Hangzhou City
Zhejiang Province
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the selected property held by Mao Geping Cosmetics Co., Ltd. (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 October 2024 (the “**valuation date**”).

The selected property interest forms part of non-property activities that each property has a carrying amount of 15% or more of the Group's total assets and therefore the valuation of the property interest is required to be included in this prospectus.

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the marketplace can be extrapolated to similar property, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contract, Construction Land Planning Permit, Real Estate Title Certificate (for land) and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors — Jingtian & Gongcheng, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in November 2024 by Ms. Joan Zhu who is a China Qualified Land Valuer and has 13 years' valuation experience in the real estate industry of the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 30 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held for future development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2024
			<i>RMB</i>
A parcel of land located at Plot No. Wangjiang Unit SC0402-B1/B2/S2-15, the western side of Xinkai River, the northern side of Wujiang Road, the eastern side of planned road and the southern side of planned Xinglong Road Shangcheng District Hangzhou City Zhejiang Province The PRC	<p>The property is located at Plot No. Wangjiang Unit SC0402-B1/B2/S2-15, the western side of Xinkai River, the northern side of Wujiang Road, the eastern side of planned road and the southern side of planned Xinglong Road. The locality is a mature residential and commercial area. It is well served by public facilities and convenient public transportation network.</p> <p>The property occupies a parcel of land with a site area of approximately 11,960.00 sq.m., which will be developed into a 14-storey (plus three levels basement) office and commercial development with a total planned gross floor area of approximately 75,597.00 sq.m. As advised by the Group, the construction of the development had not been commenced as at the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 17 October 2064 for commercial use.</p>	As at the valuation date, the property was bare land for future development.	623,000,000

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract — No. 3301002023A21094 dated 12 January 2024 and a Supplementary Contract, the land use rights of the property with a site area of approximately 11,960.00 sq.m. were contracted to be granted to Hangzhou Shang Du Hui Cosmetics Technology Co., Ltd. (“Hangzhou Shang Du Hui”, 杭州尚都匯化妝品科技有限公司, a wholly-owned subsidiary of the Company) for a term of 40 years for commercial use commencing from the land delivery date. Plot ratio of the subject land parcel is 4. The land premium is RMB592,690,000.
- Pursuant to a Construction Land Planning Permit — Di Zi Di No. 3301022024YG0055440, permission towards the planning of the property with a site area of approximately 11,960.00 sq.m. has been granted to Hangzhou Shang Du Hui.
- Pursuant to a Real Estate Title Certificate (for land) — Zhe (2024) Hang Zhou Shi Bu Dong Chan Quan Di No. 0648475, the land use rights of the property with a site area of approximately 11,960.00 sq.m. have been granted to Hangzhou Shang Du Hui for a term expiring on 17 October 2064 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 3301022024GG0123439 in favour of Hangzhou Shang Du Hui, the property with a total planned gross floor area of approximately 75,597.00 sq.m. has been approved for construction. The planned gross floor area of the property is set out as below:

Usage	Floor	(Planned) Gross Floor Area
		<i>(sq.m.)</i>
Office and commercial	L1 – L14	47,840.00
Basement	B1 – B3	27,757.00
Total:		<u>75,597.00</u>

5. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The selected comparables are commercial lands which were transacted in the last three years. The accommodation value of these comparable land sites ranges from RMB12,400 to RMB13,000 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and other characteristics between the comparable properties and the property to arrive at an assumed unit rate. The general basis of adjustment of location such as accessibility and characteristics related to development potential like site area, shape, development density, tenure, etc. is that if the comparable property is better than the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and the valuation date is considered.

6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisor, which contains, inter alia, the following:

Hangzhou Shang Du Hui is legally and validly in possession of the land use rights of the property. Hangzhou Shang Du Hui has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of the property.

7. A summary of major certificates/approvals is shown as follows:

a. State-owned Land Use Rights Grant Contract	Yes
b. State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land).	Yes
c. Construction Land Planning Permit	Yes
d. Construction Work Planning Permit	Yes
e. Construction Work Commencement Permit	No
f. Pre-sale Permit	No
g. Construction Work Completion and Inspection Certificate/Table/Report	No

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no legal or tax comments or suggestions are made accordingly. The discussion has no intention to deal with all possible tax consequences resulting from the investment in H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, investors should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, which is fully subject to change or adjustment and may have retrospective effect.

No issues on the PRC taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty are referred in the discussion below. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

THE PRC TAXATION

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》), which was promulgated on September 10, 1980 and most recently amended on August 31, 2018 by the Standing Committee of the National People's Congress (the "NPC"), and came into effect on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), which was most recently amended by the State Council on December 18, 2018 and came into effect on January 1, 2019 (collectively the "IIT Law"), dividends distributed by PRC enterprises are generally subject to a withholding individual income tax levied at a flat rate of 20%. Moreover, pursuant to the Notice of the Ministry of Finance, the State Taxation Administration and the China Securities Regulatory Commission on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (《財政部、國家稅務總局、證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the Ministry of Finance (the "MOF"), the State Taxation Administration (the "SAT") and the China Securities Regulatory Commission (the "CSRC") on September 7, 2015, where an individual acquires stocks of a listed enterprise from public offering of the enterprise or from the stock transfer market and holds the stocks for more than one year, the income from dividends distributed by the enterprise shall be exempt from individual income tax for the time being; if the individual holds the stocks for one month or less, the income from dividends distributed by the enterprise shall be fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends distributed by the enterprise shall be taxable; the aforesaid income is subject to an individual income tax at a flat rate of 20%.

For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. Indeed, the withholding tax rate for dividends of non-resident individuals may be lower than 20% under certain circumstances. However, pursuant to the Circular of the MOF and the SAT on Issues Concerning Individual Income Tax Policies (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), the income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise is exempt from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of the State Council on Approving and Relaying the Several Opinions of the National Development and Reform Commission and Other Departments on Deepening Reform of the Income Distribution System (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Deepening the Division of Key Work for Income Distribution System Reform (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). Pursuant to these two documents, the PRC government was planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation regulations or rules have not been promulgated by the MOF and the SAT.

Pursuant to the Notice of the SAT on Issues Concerning Levying and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 045) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, normally withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the tax treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without tax treaties with the PRC or are under other circumstances, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed by the Central People's Government of Mainland China and the Government of the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong

Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) issued by the SAT and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) which was issued by the NPC on March 16, 2007 and came into effect on December 29, 2018 and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) which was issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and was latest amended on April 23, 2019 (collectively the “**EIT Law**”), a non-resident enterprise is generally subject to a 10% enterprise income tax (the “**EIT**”) on PRC-sourced income (including dividends and bonus income received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. The withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation. The Notice of the SAT on Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was promulgated by the SAT and came into effect on November 6, 2008, further clarified that a PRC-resident enterprise must withhold EIT at a flat rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. The Reply of the Imposition of Enterprise Income Tax on B Share and Other Dividends of Non-resident Enterprises (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) that was promulgated by the SAT on July 24, 2009, further provides that any PRC resident enterprise listed on any overseas stock exchange must withhold EIT at a rate of 10% on dividends distributed to non-PRC resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed by the Central People's Government of Mainland China and the Government of the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable.

If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) issued by the SAT and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC companies. The PRC currently has entered into the avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials as required by the regulations for future inspection, and be subject to subsequent administration by tax authorities.

Taxation on Share Transfer

Value-added Tax and Local Additional Tax

According to the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the NPC on December 13, 1993 and amended and came into effect on November 19, 2017, unless otherwise specified, all entities and individuals that sell goods or provide processing, repair or replacement services, sell services, intangible assets, or immovable assets and import goods within the territory of China are required to pay value-added tax at the rates of 0%, 6%, 11% and 17% in respect of the different commodities they sell and the different services they provide.

Pursuant to the Circular on Adjustment of Value-Added Tax Rates (《關於調整增值稅稅率的通知》), which was promulgated by the MOF and the SAT on April 4, 2018, and came into effect on May 1, 2018, where a taxpayer engages in value-added tax taxable sales activities or import of goods, the previous applicable value-added tax rates of 17% and 11% are adjusted to be 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), which was promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019, and came into on April 1, 2019, where a taxpayer engages in value-added tax taxable sales activities or import of goods, the previous applicable value-added tax rates of 16% and 10% are adjusted to be 13% and 9%, respectively.

Pursuant to the Circular on Comprehensively Implementing the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the “**Circular 36**”), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to value-added tax (“**VAT**”) and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. The Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price after deducting purchase price), for a general or a foreign VAT taxpayer.

At the same time, VAT taxpayers are also required to pay urban maintenance and construction tax, education surcharge and local education surcharge.

Income Tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt individual income tax on income of individuals from transfer of the shares of listed enterprises in the latest amended IIT Law.

According to the Announcement of the Ministry of Finance and the State Taxation Administration about the Catalog of Preferential Individual Income Tax Policies with Continued Effect (《財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告》) which was promulgated by the MOF and the SAT and became effective on December 29, 2018, the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) will remain effective.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Tax Policies for the Shanghai – Hong Kong Stock Connect

On October 31, 2014, the MOF, the SAT and the CSRC jointly promulgated the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (the “**Shanghai – Hong Kong Stock Connect Taxation Policy**”). Pursuant to the Shanghai – Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by enterprise investors in Mainland China investing in stocks listed on the Hong Kong Stock Exchange through the Shanghai – Hong Kong Stock Connect is included in their total income and the enterprise income tax is levied on such income in accordance with the law. The income from dividends and bonus obtained by enterprise investors in Mainland China investing in stocks listed on the Hong Kong Stock

Exchange through the Shanghai – Hong Kong Stock Connect is included in their total income and the enterprise income tax is levied on such income in accordance with the law. Among them, the enterprise income tax will be exempted according to law over income from dividends and bonus obtained by resident enterprises in Mainland China that hold H shares for at least 12 consecutive months. The H share companies do not need to withhold tax on the income from dividends and bonus obtained by enterprise investors in Mainland China. The tax payable shall be declared and paid by the enterprises themselves.

According to the Circular of the Ministry of Finance, the State Taxation Administration and the China Securities Regulatory Commission on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《財政部、國家稅務總局、中國證券監督管理委員會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the MOF, the SAT and the China Securities Regulatory Commission on October 31, 2014 and implemented on November 17, 2014, for dividends and bonus obtained by individual investors in Mainland China investing in H shares listed on the Hong Kong Stock Exchange through the Shanghai – Hong Kong Stock Connect, the H share companies shall apply to China Securities Depository and Clearing Corporation Limited (“CSDC”) for provision by CSDC of the register of individual investors in Mainland China to the H share companies. The H share companies shall withhold individual income tax at a rate of 20%.

Tax Policies for the Shenzhen – Hong Kong Stock Connect

On November 5, 2016, the MOF, the SAT and the CSRC jointly issued the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (the “**Shenzhen – Hong Kong Stock Connect Taxation Policy**”). Pursuant to the Shenzhen – Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by enterprise investors in Mainland China investing in stocks listed on the Hong Kong Stock Exchange through the Shenzhen – Hong Kong Stock Connect is included in their total income and the enterprise income tax is levied on such income in accordance with the law. The income from dividends and bonus obtained by enterprise investors in Mainland China investing in stocks listed on the Hong Kong Stock Exchange through the Shenzhen – Hong Kong Stock Connect is included in their total income and the enterprise income tax is levied on such income in accordance with the law. The enterprise income tax is exempted according to law over income from dividends and bonus obtained by resident enterprises in Mainland China that hold H shares for at least 12 consecutive months. The H share companies do not need to withhold tax on the income from dividends and bonus obtained by enterprise investors in Mainland China. The tax payable shall be declared and paid by the enterprises themselves.

According to the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the MOF, the SAT and the China Securities Regulatory Commission on November 5, 2016 and

implemented on December 5, 2016, for dividends and bonus obtained by individual investors in Mainland China investing in H shares listed on the Hong Kong Stock Exchange through the Shenzhen – Hong Kong Stock Connect, the H share companies shall apply to CSDC for provision by CSDC of the register of individual investors in Mainland China to the H share companies. The H share companies shall withhold individual income tax at a rate of 20%.

Stamp Duty

Pursuant to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》) which took effect on July 1, 2022, the entities and individuals that conclude taxable certificates, or conduct securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the provisions of this law; where entities or individuals, outside the territory of the PRC, conclude taxable certificates that are used within the territory of the PRC, they shall pay stamp tax in accordance with the provisions of this law. Thus, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (the “SAFE”), with the authorization of the People's Bank of China (the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Pursuant to the Administrative Regulations on Foreign Exchange of the People's Republic of China (《中華人民共和國外匯管理條例》) which was implemented on August 5, 2008, all international payments and transfers are classified into current account and capital account. Current account is subject to the reasonable examination of the veracity of transaction documents and the consistency between the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in settlement and sale of foreign currencies, and supervision and inspection by the foreign exchange administrative authorities. For capital account, overseas organizations and individuals making direct investments in China shall, upon approval by the relevant competent authorities, process registration formalities with the foreign exchange administrative authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the

event that a material imbalance occurs or may occur in international revenues and expenditure, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current account, while imposing existing restrictions on foreign exchange transactions under capital account. Consequently, Renminbi is generally freely convertible for payments under current account, such as trade and service-related foreign exchange transactions and dividend payments, but remains to be not freely convertible under capital account, such as direct investment, loan or investment in securities outside of China unless prior approval of the SAFE or its local counterparts is obtained.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar solely. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of Renminbi against the currency on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign invested enterprises) which need foreign exchange for current account transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises (such as our Company) which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decision of the State Council on Cancelling and Adjusting a Batch of Items Subject to Administrative Examination and Approval and Other Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of the SAFE at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content set out in the prospectus and other disclosure documents.

According to the Circular of the SAFE on the Policies for Reforming and Standardizing Management of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE, implemented on June 9, 2016 and was amended on December 4, 2023, foreign exchange receipts under capital account (including the repatriation of the proceeds from overseas listing) on which discretionary settlement have been clearly imposed under relevant policies, may be settled with banks according to actual business needs of the domestic institutions.

The tentative percentage of foreign exchange settlement for foreign exchange receipts under capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations. The Circular on Issues Concerning the Administration of Foreign Exchange in Offshore Investments and Financing and Round-Trip Investments by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular 37**”) was promulgated by the SAFE and implemented on July 4, 2014. According to the Circular 37, domestic residents, individuals and entities shall apply to the SAFE for registration of foreign exchange for offshore investment before making contributions to special purpose vehicles with domestic and overseas legal assets or equities. In addition, any domestic resident who is a shareholder of an overseas special purpose vehicle shall complete the registration formality of foreign exchange alteration for offshore investment with the SAFE in a timely manner in the event of any change of significant matters of such overseas special purpose vehicle such as capital increase/decrease, equity transfer or swap, merger and spin-off.

The subsequent foreign exchange business (including remittance of profits and dividend) of a domestic resident who fails to comply with the registration requirements as set out in the Circular 37 may be restricted. Domestic residents that have made capital contributions to special purpose vehicles with domestic and overseas legal assets or equities without the required registration of foreign exchange for offshore investment prior to the implementation of the Circular 37 shall issue a letter of explanation to the SAFE containing specific reasons. The SAFE shall carry out the registration based on the principles of legality and rationality and impose administrative penalties in accordance with laws in case of suspected violation of the Administrative Regulations on Foreign Exchange of the People’s Republic of China.

According to the Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, implemented on June 1, 2015 and partially lapsed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks and the foreign exchange authorities shall indirectly regulate the foreign exchange registration of direct investment through banks. The banks that have obtained financial institution identification codes from foreign exchange authorities and have connected to the Capital Account Information System with the local foreign exchange authorities may directly handle the registration under the Circular 37.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Taxation and Foreign Exchange" in Appendix IV to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

I. PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (2018 Revision) (《中華人民共和國憲法(2018修正)》) (hereinafter referred to as the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of ministries of the State Council, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 Revision) (《中華人民共和國立法法(2023修正)》) (hereinafter referred to as the "**Legislation Law**"), the National People's Congress (hereinafter referred to as the "**NPC**") and the Standing Committee of The National People's Congress are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend other laws other than those required to be enacted by the NPC. During the adjournment of the NPC, partial supplement and amendment shall be made to the laws as formulated by the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The NPC may authorize the Standing Committee of the NPC to enact relevant laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The People's Congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provisions of the Constitution, laws, and administrative regulations.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization development, historical and cultural protection, and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provisions of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. Where the laws provide otherwise on the matters concerning the formulation of local

**APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG
LEGAL AND REGULATORY PROVISIONS**

regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts shall become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of the local regulations submitted for approval. Such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision shall be made by the standing committees of the people's congresses of provinces or autonomous regions for resolution. The people's congresses of national autonomous areas shall have the power to formulate autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office of the PRC and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, as well as the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate their rules and regulations based on the laws, administrative regulations and local regulations of relevant provinces, autonomous regions and municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations and rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities with districts and autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or abrogate any inappropriate laws enacted by its standing committee, and to abrogate any autonomous regulations and separate regulations as approved by the Standing Committee of the NPC which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to abrogate any administrative regulations that contravene the Constitution or laws, to abrogate any local regulations that contravene the Constitution, laws or administrative regulations, and to abrogate any autonomous regulations and local regulations which have been approved by the Standing

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

Committee of the NPC of the relevant provinces, autonomous regions or municipalities directly under the central government, but contravene the Constitution or the Legislation Law. The State Council has the power to alter or abrogate any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or abrogate any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or abrogate any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution or the Legislation Law, the power to interpret the laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, if the scope prescribed by laws needs to be further defined or supplementary provisions need to be made, the Standing Committee of the NPC shall interpret them or make provisions. Issues involving the specific application of laws in the trial work of the court shall be interpreted by the Supreme People's Court. Issues involving the specific application of laws in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the Standing Committee of The National People's Congress for interpretation or decision. Issues that do not involve the specific application of laws in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and ministerial rules which they have promulgated. At the regional level, the power to give interpretation of the local laws is vested in the regional legislative and administrative organs which promulgate such law.

II. PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 Revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts at all levels, and the special people's courts.

Local people's courts are divided into primary people's court, intermediate people's court and high people's court. High people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ in the PRC. It supervises the judicial work of the people's courts at all levels.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

A people's court adopts the system in which the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if any errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at any level by the Supreme People's Court, or if such errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at a lower level by the people's court at a higher level, it has the authority to review the case itself or to refer to the people's court at a lower level to conduct a retrial. If such errors are identified in a legally effective judgment, ruling or mediation statement by the chief judge of all levels of the people's courts, and they consider a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

In according to the Civil Procedure Law of the PRC (2023 Revision) (《中華人民共和國民事訴訟法(2023修正)》) (hereinafter referred to as the “**Civil Procedure Law**”), all parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. The Civil Procedure Law prescribes the conditions for instituting a civil action, the jurisdiction of a people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. A civil case is generally heard at the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at the place directly associated with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the place where the subject matter of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without a nationality, a foreign enterprise or organization is given the same litigation rights and obligations as a citizen and legal person of the PRC. Should a foreign court limit the litigation rights of a PRC citizen and enterprise, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or organization must engage a PRC lawyer if they need to engage a lawyer for the purpose of initiating an action or defending against litigation at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a PRC people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence, and conduct other actions on its behalf. A PRC people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or social and public interests of the PRC.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

A party shall comply with a law-binding civil judgment or ruling, if any party to a civil action refuses to comply with a judgment or ruling made by a people’s court or an award made by an arbitration panel in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years. However, they may apply for an extension for the enforcement or revocation. If such party fails to satisfy a judgment as enforced and permitted by the court within the stipulated time, the court may, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people’s court against another party who is not personally or whose property is not within the PRC may apply to a foreign court with the jurisdiction over the case for recognition and enforcement of such judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by a PRC people’s court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination according to the principle of reciprocity, unless the people’s court believes that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or national security or against its social and public interests.

III. COMPANY LAW, TRIAL MEASURES OF OVERSEAS LISTING, AND GUIDELINES FOR ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company which is incorporated in the PRC and listed on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

According to the Company Law of the People’s Republic of China, which was last amended on December 29, 2023 and will come into effect on July 1, 2024, for limited liability companies and joint stock limited companies that can be established within the territory of the PRC, shareholders of limited liability companies shall be liable to the company to the extent of their subscribed capital contributions; shareholders of joint stock limited companies shall be liable to the company to the extent of their subscribed shares.

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Trial Measures of Overseas Listing”) and relevant five guidelines, which came into force on March 31, 2023. The Trial Measures of Overseas Listing are designated in accordance with the Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities for trading. According to the Guidelines for the Applications of Regulatory Rules – Overseas Issuance and Listing Category No. 1 (《監管規則適用指引—境外發行上市類第1號》) promulgated by the CSRC on February 17, 2023, direct issuance and listing by domestic companies shall abide by the relevant provisions of the Trial Measures of Overseas Listing and refer to the Guidelines for Articles of Association of Listed Companies (2023 Revision) (《上市公司章程指引(2023修正)》) (the “Guidelines for Articles of Association of Listed Companies”) and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

The Official Reply of the State Council on Adjusting the Application of Provisions to Matters Including the Notification Period for Convening Shareholders' Meetings by Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東會通知期限等事項規定的批覆》), which was promulgated by the State Council on October 17, 2019 and was implemented on the same date, pursuant to which, it was agreed that, for the companies registered in the PRC but listed overseas, the requirements on the notification period for convening a shareholders' meeting, shareholders' rights to proposal, and the convening procedures shall be collectively governed by the relevant provisions of the Company Law, and no longer be governed by Article 20 to 22 of the Special Regulations.

Below sets out a summary of the major provisions of the Company Law, the Trial Measures of Overseas Listing and the Guidelines for Articles of Association of Listed Companies:

1. General Provisions

A joint stock limited company refers to a corporate legal person incorporated in China under the Company Law with independent legal person properties and entitlements to such legal person properties. The company shall bear the responsibility for its debts with all its assets, and the shareholders of a joint stock limited company shall bear responsibilities to the company within the scope of the number of shares they subscribe for.

2. Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of one but no more than 200 people as its promoters, and over half of the promoters must have residence within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up.

If laws, administrative regulations and State Council decisions provide otherwise on paid-up registered capital and minimum registered capital, the company shall comply with such provisions. For companies established by way of promotion, the promoters shall subscribe in writing for the full number of the shares to be issued at the time of the establishment of the company as stipulated in the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. If any promoter fails to pay the subscription monies for the subscribed shares, or if the actual value of the non-monetary assets used as capital contribution is significantly lower than the subscribed shares, other promoters and the promoter shall bear joint and several liability to the extent of insufficient capital contribution. After the promoters have subscribed for capital contributions under the articles of association, a board of directors and a supervisory committee shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association as well as other documents required by laws and administrative regulations with the company registration authorities.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

Where companies are established by subscription, the shares subscribed for by the promoters shall not be less than 35% of the total number of shares to be issued at the time of establishment of the company as stipulated in the articles of association, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must announce a share offering prospectus and prepare a share subscription form. Such offer shall be underwritten by security companies established according to law, with underwriting agreements to be entered into and agreements to be entered into with banks in relation to the receipt of subscription monies. After the subscription monies for the share issue have been paid in full, a capital verification institution established according to law must be engaged to conduct capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of full payment of subscription monies. If the shares required to be issued at the time of the establishment of a company are not fully subscribed for, or if, after the full payment for the issued shares, the promoters fail to convene an inauguration meeting within 30 days, any subscriber may demand the promoters to refund their subscription monies together with interest at bank deposit rates for the same period. The board of directors shall authorize representatives to apply for registration of the establishment of the company with the company registration authority within 30 days after the conclusion of the inauguration meeting.

A company's promoter shall be liable for the followings: (1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be established; (2) the refund of subscription monies paid by the subscribers together with interest at bank deposit rates for the same period jointly and severally if the company cannot be established.

3. Share Capital

Shareholders may make capital contributions in cash, or non-monetary assets such as in kind, intellectual property rights and land use rights which can be appraised with monetary value and transferred lawfully, except for assets prohibited from capital contribution by laws and administrative regulations. For capital contributions made in non-monetary assets, a valuation of the assets contributed must be carried out to for verification without any overvaluation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. For shares subscribed by any organization or individual, the same price shall be paid for each share. The share offering price may be equal to or greater than the nominal value of the share, but not less than the nominal value.

A company that seeks to offer and list securities in overseas markets, is required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Under the Company Law, a joint stock limited company shall maintain a shareholder register which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the type and quantity of subscribed shares for each shareholder; (3) for stocks issued in paper form, the serial numbers of stocks; (4) the date on which each shareholder acquired the shares.

4. Increase in Share Capital

Where a company issues new shares, resolutions shall be made at the shareholders' meeting in respect of, among others, the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares, and the class and amount of the new shares proposed to be issued to existing shareholders.

To offer shares overseas, the domestic company shall file with the CSRC within three business days after submission of the application documents for offering and listing overseas.

5. Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law: (1) the company shall prepare a balance sheet and an inventory of assets; (2) the reduction of registered capital must be approved by shareholders at the shareholders' meeting; (3) the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days of the resolution approving the reduction being passed; (4) the creditors of the company may require the company to repay its debts or provide guarantees for the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if they fail to receive any notification; and (5) the company must apply to the company registration authorities for registration of such change.

6. Repurchase of Shares

In accordance with the Company Law, a company shall not purchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company that holds its shares; (3) using shares for the employee stock ownership plan or as equity incentives; (4) a shareholder requesting the company to purchase its shares held by him/her since he/she objects to a resolution of the shareholders' meeting on the combination or division of the company; (5) using shares for converting convertible corporate bonds issued by the listed company; (6) it is necessary for a listed company to protect its corporate value and the rights and interests of shareholders. A company purchasing its own

**APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG
LEGAL AND REGULATORY PROVISIONS**

shares under any of the circumstances set forth in items (1) and (2) above shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) above may, pursuant to the provisions of the articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing the Company's shares pursuant to the above provisions, the company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; under the circumstance set forth in item (2) or (4), transfer or cancel them within six months; or under the circumstance set forth in item (3), (5) or (6), hold an aggregate of no more than 10% of all the shares issued by the company and transfer or cancel them within three years.

Repurchase of the Company's shares by a listed company shall perform the obligation of information disclosure in accordance with the Securities Law of the PRC (the "Securities Law"). A listed company purchasing the Company's shares under any of the circumstances set forth in items (3), (5) and (6) of this article shall carry out trading in a public and centralized manner.

The Company shall not accept its own shares as the subject of a pledge.

7. Transfer of Shares

Shares held by shareholders may be transferred according to law. Under the Company Law, Shares issued prior to the public offering of the company's shares cannot be transferred within one year from the listing date of such shares on a stock exchange. The directors, supervisors and senior management of the company shall notify the company of their holding of shares therein and changes of their shareholdings. The shares transferrable by them in each year of their tenures shall not exceed 25% of all their shares in the company. The shares in the company held by them are not transferable within one year from the date on which the company's shares are listed. The shares in the company held by them shall not be transferred within six months of their departure from the company. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

8. Shareholders

Under the Company Law, the rights of shareholders include: (1) to transfer their shares according to law; (2) to attend or appoint a proxy to attend and vote at shareholders' meetings; (3) to inspect the articles of association, share register, counterfoils of company debentures, minutes of shareholders' meetings, board resolutions, resolutions of the supervisory committee and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (4) to receive dividends in respect of the number of shares held; (5) to

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

participate in residual properties of the company in proportion to their shareholdings upon the liquidation of the company; (6) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of his or her share subscriptions, not to abuse their shareholders' rights to harm the interests of the company or other shareholders, not to abuse the independent status of the legal person of the company and the limited liability of shareholders to harm the interest of any creditor and any other shareholder obligation specified in the articles of association.

9. Shareholders' Meetings

The shareholders' meeting is the organ of authority of the company that exercises its powers: (1) to elect and replace directors and supervisors, and to decide on the matters relating to the remuneration of directors and supervisors; (2) to consider and approve the reports of the board of directors; (3) to consider and approve the reports of the supervisory committee; (4) to consider and approve the company's profit distribution and loss recovery proposals; (5) to decide on any increase or reduction of the company's registered capital; (6) to decide on the issue of corporate bonds; (7) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (8) to amend the company's articles of association; (9) to exercise any other authority stipulated in the articles of association.

A shareholders' meeting is required to be convened once every year. An extraordinary shareholders' meeting is required to be convened within two months of the occurrence of any of the following: (1) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association; (2) the total outstanding losses of the company amounts to one-third of the company's total paid-up share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary shareholders' meeting; (4) the board of directors deems necessary; (5) the supervisory committee proposes to convene a meeting; (6) any other circumstances as provided for in the articles of association.

A shareholders' meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman cannot or does not perform his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman cannot or does not perform his/her duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors cannot or does not perform its duties to convene the shareholders' meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. If the supervisory committee fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 consecutive days or more may unilaterally convene and preside over a general meeting.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

In accordance with the Company Law, a notice of shareholders' meeting stating the date and venue thereof and the matters to be considered thereat shall be given to all shareholders 20 days before the meeting. A notice of extraordinary shareholders' meeting shall be given to all shareholders 15 days prior to the meeting. Shareholders who individually or in aggregate hold over 1% of the shares of the company may propose an interim proposal and submit it in writing to the board of directors 10 days before the shareholders' meeting is held. The interim proposal shall include a specific issue for discussion along with any concrete matter for resolution. The board of directors shall, within two days upon receipt of the proposal, notify the other shareholders, and submit the said interim proposal to the shareholders' meeting for consideration except for any proposal that violates laws, administrative regulations, or the articles of association, or any proposal that falls outside the purview of the shareholders' meeting. The company shall not increase the shareholding percentage for shareholders proposing interim proposals.

10. Board of Directors

The company shall have a board of directors composed of over three members. Board members may include employee representatives, who shall be democratically elected by the company's employees at an employee representative assembly, general employee meeting or otherwise. In the case of a company with over three hundred employees, except when a supervisory committee has been established including a number of employee representatives among its members as required by law, the company's board of directors shall include employee representatives among its members. The term of a director shall be stipulated in the articles of association, provided that no term of office shall exceed three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations and the articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum. A joint stock limited company may, in accordance with its articles of association, instead of having set up a supervisory committee or having supervisors, establish an audit committee which comprises directors of the board of directors and exercises the functions and powers of the supervisory committee as provided for in the Company Law. The audit committee shall consist of over three members, a majority of whom shall not hold any position in the Company other than that of director, and shall not have any relationship with the Company that may affect their independent and objective judgement. Any employee representative on the board of directors of a company can serve as a member of the audit committee. Under the Company Law, the board of directors is accountable to the shareholders' meeting and may exercise the following functions and powers: (1) to convene the shareholders' meeting and report to the shareholders' meeting; (2) to implement resolutions of the shareholders' meeting; (3) to decide on the company's business plans and investment plans; (4) to formulate the company's profit distribution plans and plans on making up losses; (5) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds; (6) to formulate plans for merger, division or dissolution or change of corporate form of the company; (7) to decide on establishment of internal

**APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG
LEGAL AND REGULATORY PROVISIONS**

management organs of the company; (8) to decide on the appointment or dismissal of the company's manager and his/her remuneration and, based on the manager's nomination, to decide on the appointment or dismissal of any deputy manager and chief financial officer of the company and their remuneration; (9) to formulate the basic management system of the company; (10) to exercise any other functions and powers provided for the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notices of such meetings shall be given to all directors and supervisors 10 days before the meetings are convened. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory committee. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

The board of directors shall prepare minutes of the meetings of the board of directors and such minutes shall be signed by the directors present at the meeting. The directors shall be responsible for resolutions adopted by the board of directors. The directors adopting a resolution that contravenes laws, administrative regulations, the articles of association or resolutions of the shareholders' meeting and results in severe losses to the company shall be liable to the company for compensation. However, a director may be exempt from such liability with the proof that he/she has expressed a disagreement which has been recorded in the minutes of the meeting.

Under the Company Law, none of the following persons may serve as directors of the company: (1) persons without capacity or with limited capacity for civil acts; (2) persons who were sentenced for corruption, bribery, encroachment or embezzlement of properties or disruption of social or economic order, or persons who were deprived of political rights for committing a crime, and in each case, where five years have not lapsed following the serving of the sentence or in the case of a suspended sentence, two years have not lapsed since the probation period was completed; (3) directors, factory heads or managers who bear individual responsibility for the bankruptcy or liquidation of their companies or enterprises where three years have not lapsed following the date of completion of such bankruptcy or liquidation; (4) the legal representatives of companies or enterprises that had their business licenses revoked and ordered to be closed for violation of the law, where such representatives bear individual responsibility and three years have not lapsed following the date of revocation of such business licenses; (5) persons with relatively significant individual debts that have not been settled upon

**APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG
LEGAL AND REGULATORY PROVISIONS**

maturity. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

In addition, the Guidelines for Articles of Association of Listed Companies further stipulates other circumstances under which a person is disqualified from acting as a director of a company, including: (1) a person who has been banned from the securities market by the CSRC where the relevant period remains unexpired; or (2) a person who is banned from doing so in accordance with other laws, administrative regulations or departmental rules.

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties.

11. Supervisory Committee

The company shall have a supervisory committee composed of no less than three members. The supervisory committee shall consist of shareholder representatives and an appropriate proportion of employee representatives of the company, with the proportion of such employee representatives no less than one-third subject to the articles of association. Employee representatives of the company at the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, general employee meeting or otherwise.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee shall be elected by more than half of the supervisors. The directors and senior management may not act concurrently as supervisors.

The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the chairman of the supervisory committee cannot or does not perform his/her duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the vice chairman of the supervisory committee cannot or does not perform his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with laws, administrative regulations and the articles of association until a re-elected supervisor takes office, if the re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory committee exercises the following functions and powers: (1) to review the company's financial position; (2) to supervise the performance by the directors and senior management of their duties to the company and propose the dismissal of the directors and senior management who violates laws, administrative regulations, the articles of association or the resolutions of shareholders' meetings; (3) demand rectification from the directors and senior management when such persons are harmful to the company's interests; (4) to propose the convening of extraordinary general meetings; to convene and preside the shareholders' meeting in the event that the board of directors fails to perform its duties to convene and preside the shareholders' meeting in accordance with the Law; (5) to submit proposals to the shareholders' meeting; (6) to file lawsuits against directors and senior management in accordance with the relevant provisions of the Company Law; (7) to exercise any other functions and powers provided for in the articles of association.

Supervisors may be present at the meetings of the board of directors and make inquiries or proposals in respect of the resolutions of the board of directors. The supervisory committee may investigate any irregularities identified in the operation of the company and, when necessary, engage an accounting firm to assist its work at the expense of the company.

12. Manager and Senior Management

Under the relevant provisions of the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, under the Guidelines for Articles of Association of Listed Companies, the manager shall be accountable to the board of directors and may exercise the following functions and powers: (1) to be in charge of the production, operation and management of the company and to organize the implementation of the resolutions of the board of directors; (2) to organize the implementation of the company's annual business plans and investment plans; (3) to formulate draft plans for the establishment of the company's internal management organization; (4) to draft the company's basic management system; (5) to formulate the specific rules and regulations of the company; (6) to propose on the appointment or dismissal of any deputy manager and chief financial officer of the company; (7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); (8) to exercise any other functions and powers conferred by the articles of association and the board of directors.

The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

According to the Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

13. Duties of Directors, Supervisors and Senior Management

Under the Company Law, directors, supervisors and senior management shall comply with relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from embezzling the company's property.

In addition, directors and senior management shall not: (1) embezzling the company's property, misappropriate the company's funds; (2) deposit the company's funds into accounts under their own names or the names of other individuals; (3) loan company funds to others or provide guarantees in favor of others supported by the company's property in violation of the articles of association or without approval of the shareholders' meeting or the board of directors; (4) enter into contracts or transactions with the company in violation of the articles of association or without approval of the shareholders' meeting; (5) use their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operate business similar to that of the company for their own benefits or on behalf of others without approval of the shareholders' meeting; (6) accept and possess commissions paid by others for transactions with the company; (7) disclose the confidential information of the company without its authority; (8) prejudice the interests of the company by taking advantage of their related relationships; (9) engage in other acts in violation of their duty of loyalty to the company. Income generated by directors or senior management in violation of the aforementioned shall be returned to the company.

A director, supervisor or senior management member who contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management member is required to attend a shareholders' meeting, such director, supervisor or senior management member shall attend the meeting and answer inquiries from shareholders. Directors and senior management shall furnish relevant situations and information to the supervisory committee in a truthful manner, without impeding the discharge of duties by the supervisory committee.

Where a director or senior management member contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares for at least 180 consecutive days may request in writing that the supervisory committee institute litigation at a people's court on its behalf. Where the supervisor violates laws or administrative regulations or the articles of association in the discharge of his/her

**APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG
LEGAL AND REGULATORY PROVISIONS**

duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory committee or the board of directors refuses to institute litigation after receiving the written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in the event of an emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in his/her/their own name for the company's benefit. For other parties who infringe on the legitimate interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the above provisions. Where a director or senior management member contravenes any laws, administrative regulations or the articles of association in infringement on shareholders' interests, a shareholder may also institute litigation at a people's court.

The Guidelines for Articles of Association of Listed Companies provide that a company's directors, supervisors, managers and other senior management shall have the duty of loyalty and due diligence to the company. They shall faithfully perform their duties and protect the interests of the company without using their positions in the company for their own benefits.

14. Finance and Accounting

Under the Company Law, the company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of competent financial authorities of the State Council. At the end of each accounting year, the company shall prepare a financial report audited by an accounting firm in accordance with laws. The company's financial and accounting reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual shareholders' meeting. A joint stock limited company that makes public stock offerings shall publish its financial and accounting reports.

When distributing profits after taxation of the year, the company shall set aside 10% of its profits for the company's statutory reserve until the fund has reached 50% or more of the company's registered capital. When the company's statutory reserve is not sufficient to make up for the company's losses for the previous years, the profits of the current year shall first be used to cover the losses before any allocation is set aside for the statutory reserve pursuant to the preceding provision. After making allocations to the statutory reserve from its profits after taxation, the Company may, upon passing a resolution at a shareholders' meeting or general meeting, make further allocations from its profits after taxation to the discretionary reserve. After the company covers its losses and makes allocations to its discretionary reserve, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

**APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG
LEGAL AND REGULATORY PROVISIONS**

Profits distributed to shareholders by a shareholders' meeting or the board of directors before losses are covered and allocations are made to the statutory reserve in violation of the preceding requirements must be returned to the company. The company shall not distribute any profits in respect of the shares held by it.

The premium received through issuance of shares of the company at prices above par value and other incomes required by the financial authorities of the State Council to be allocated to capital reserve shall be allocated to the company's capital reserve.

When using a company's reserves to cover its losses, any discretionary reserve and statutory reserve balances shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with regulations. Upon the conversion of statutory reserve into capital, the balance of the statutory reserve shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

15. Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the shareholders' meeting, general meeting or board of directors in accordance with the provisions of the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, general meeting or board of directors of the company conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it engages, without any refusal, withholding or misrepresentation.

16. Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

17. Amendments to the Articles of Association

According to the Company Law, a resolution at a shareholders' meeting to amend a company's articles of association shall be passed by more than two-thirds of the shareholders with voting rights who attend the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the articles of association approved by the resolution of the shareholders' meeting are subject to the approval by the competent authority, they must be reported to the competent authority for approval; if they involve

**APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG
LEGAL AND REGULATORY PROVISIONS**

company registration matters, the modification registration shall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

18. Dissolution and Liquidation

According to the Company Law, a company may dissolve as a result of the following reasons: (1) the expiry of term of its operations set out in the articles of association, or the occurrence of other events of dissolution specified in the articles of association; (2) it is resolved in a shareholders' meeting that the company shall dissolve; (3) the company is dissolved by reason of a merger or division; (4) the business license is suspended or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all of the company's shareholders, on the grounds that the company suffers from significant hardship in its operation and the management that cannot be resolved through other means, and the ongoing existence of the company will bring significant losses to the shareholders.

In the event of the circumstance described in (1) and (2) above, provided that the company has not yet distributed its assets to shareholders, the company may carry on its existence by amending its articles of association. Amendments to the articles of association in accordance with the provisions set out above shall be passed by more than two-thirds of the shareholders with voting rights who attend the shareholders' meeting. Where the company is dissolved in the circumstances described in (1), (2), (4), or (5) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days upon the occurrence of an event of dissolution. The liquidation committee shall be composed of the directors or the personnel appointed at the shareholders' meeting. If a liquidation committee is not established to conduct liquidation within the stipulated period, the company's creditors may apply to a people's court and request the court to appoint relevant personnel to form a liquidation committee. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

A liquidation committee may exercise the following powers during the liquidation period: (1) to dispose of the company's assets and to prepare a balance sheet and an inventory of the assets; (2) to notify the company's creditors through notice or announcement; (3) to handle the company's outstanding businesses related to liquidation; (4) to settle all tax overdue as well as tax amounts arising from the process of liquidation; (5) to settle credits and pay off debts; (6) to handle the company's remaining assets after settling its debts; and (7) to represent the company in a civil lawsuit.

The liquidation committee shall notify the company's creditors within 10 days upon its establishment and publish an announcement on newspapers within 60 days. A creditor shall file his/her/its claim with the liquidation committee within 30 days upon receipt of the notification,

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

or within 45 days of the date of the announcement if he/she/it has not received any notification. A creditor shall state all matters related to his/her/its creditor rights in making his/her/its claim and furnish evidence. The liquidation committee shall register such creditor's claims. The liquidation committee shall not make any debt settlement with the creditors during the period of the claim.

Upon disposal of the company's assets and preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' meeting or the people's court for verification. The company's remaining assets, after payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders according to the proportion of their shareholding. The company shall continue to exist during the liquidation period, it however cannot commence any operating activities that are not related to the liquidation. The company's assets shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's assets, and preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for bankruptcy liquidation in accordance with the laws. After the people's court accepts the bankruptcy application, the liquidation committee shall hand over liquidation affairs to the administrator designated by the people's court.

Upon completion of the liquidation of the company, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' meeting or the people's court for verification. It shall also file with a company registration authority for deregistration of the company and declare the company dissolved by way of an announcement. Members of the liquidation committee shall fulfill liquidation responsibilities with a duty of loyalty and diligence. Any member of the liquidation committee who neglects their liquidation responsibilities and causes losses to the company shall be liable for compensation; if losses are caused to any creditor due to intent or gross negligence, such member shall be liable for compensation.

In addition, a company which has declared bankrupt in accordance with the laws shall be subject to liquidation of bankruptcy in accordance with the laws on corporate bankruptcy.

19. Loss of Share Certificates

If a shareholder's share certificate(s) in registered form is stolen, lost, or destroyed, he/she/it may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people's court for declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) is no longer valid, the shareholder may apply to the company for issue of a replacement certificate(s).

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

20. Merger and Division

According to the Company Law, in the case of a merger, a merger agreement shall be signed by all parties, and they shall prepare their balance sheets and inventory of assets. The company shall notify its creditors within 10 days upon the date of passing of the resolution which approves the merger, and announce the merger on a newspaper within 30 days. A creditor may request the company to settle any outstanding debts or provide guarantees accordingly within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if he/she/it have not received any notification. Where companies merge, the credits and debts of the merging parties shall be assumed by the surviving company or the new company upon merging.

In case of a division, the company's assets shall be divided accordingly. The debts of the company which have accrued prior to the division shall be jointly borne by the divided companies, unless it is otherwise agreed by way of an agreement in writing with the creditors in respect of the settlement of debts before the company's division.

Changes in registration as a result of a merger or division shall be completed with a relevant registration authority in accordance with the laws. Where a company is dissolved or a new company is established, company deregistration or company registration shall be completed respectively in accordance with the laws.

21. Overseas Listing

Pursuant to the Trial Measures of Overseas Listing, both initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Moreover, where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within twenty business days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC's website. Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplementation and amendment thereto within five business days after receiving the filing documents. The issuer shall then complete supplementation and amendment within thirty business days.

IV. SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a series of regulations in relation to issuance and trading of a company's shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC, and administering the CSRC.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

Pursuant to the Securities Law of the People’s Republic of China (2019 Revision) (《中華人民共和國證券法(2019修訂)》) (the “**Securities Law**”), this law shall apply to the offerings of and trading in stocks, corporate bonds, depositary receipts, and other securities recognized in accordance with the law by the State Council within the territory of the People’s Republic of China; and matters not included in this law shall be governed by the provisions of the Company Law and other relevant laws and administrative regulations. Where any offering of or trading in securities outside of the People’s Republic of China disrupts the order of the domestic market of the People’s Republic of China and causes any damage to the lawful rights and interests of domestic investors, it shall be handled, and the violators shall be legally liable therefor, according to the applicable provisions of the Securities Law.

The Securities Law is the first volume of national securities law in the PRC to fully regulate the activities in securities market in the PRC. It is divided into 14 chapters and 226 articles covering the issuance and trading of securities, the takeovers of listed companies, and the duties and responsibilities of stock exchanges, securities companies, securities registration and clearing institutions, and securities regulatory and administration authorities. Article 224 of the Securities Law provides that where a domestic enterprise directly or indirectly offers securities abroad or has its securities listed and traded abroad, the relevant provisions issued by the State Council shall be complied with. Currently, the issuance and trading of shares (including H Shares) outside of the PRC are governed by the regulations and rules promulgated by the State Council and the CSRC.

V. ARBITRATION AND ENFORCEMENT OF AN ARBITRAL AWARD

Pursuant to the Arbitration Law of the People’s Republic of China (2017 Revision) (《中華人民共和國仲裁法(2017修正)》) (the “**Arbitration Law**”), the Arbitration Law is applicable to the disputes relating to contracts and other properties in which the involved parties have entered into a written agreement to resolve the disputes by arbitration of an arbitration committee constituted in accordance with the Arbitration Law. The Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have reached an arbitration agreement, a people’s court will refuse to handle a legal proceeding initiated by one party made to such people’s court, unless the arbitration agreement is invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award shall be final. Once an arbitral award is made, an arbitration committee or a people’s court will refuse to accept the application for arbitration or prosecution filed to the people’s court by a party regarding the same dispute. If either party fails to comply with the arbitral award, the other party to the award may apply to the people’s court to enforce such arbitration award. However, the people’s court may refuse to enforce an arbitral award made by the arbitration committee if there is a violation of the arbitration of procedures, including but not limited to the violation in the composition of the arbitration tribunal, or the fact that matter of arbitration does not fall into the scope of the arbitration agreement, or the fact that the arbitration committee is not entitled to carry out the arbitration.

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

This appendix contains a summary of the principal provisions of the Articles of Association of the Company which will be effective from the date of listing of H Shares on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential investors with an overview of the Company's Articles of Association and therefore may not contain all the information that is material to potential investors.

SHARES AND REGISTERED CAPITAL

The shares of the Company shall take the form of share certificates. All shares issued by the Company shall be denominated in RMB and have a par value of RMB0.5.

The Company shall issue shares in an open, equitable and fair manner, and each of the shares in the same class shall carry the same rights.

Shares of the same class and the same issuance shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares which it/he/she subscribes for.

INCREASE, REDUCTION AND REPURCHASE OF SHARES

Capital Increase

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations, the regulatory rules of the place where the shares of the Company are listed and subject to a resolution of the general meeting, by any of the following methods:

- (I) public offering of shares;
- (II) private placement of shares;
- (III) placement or allotment of bonus shares to existing shareholders;
- (IV) conversion of reserve funds to share capital;
- (V) other methods permitted by laws, administrative regulations, the CSRC and the Hong Kong Stock Exchange.

Capital Reduction

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the Company Law and other relevant regulations, the Hong Kong Listing Rules and other regulatory rules of the place where the Company's shares are listed, as well as the Articles of Association.

Transfer of Shares

The shares of the Company held by the promoters thereof shall not be transferred within one year of the date of establishment of the Company. Shares already issued by the Company before the public offering shall not be transferred within one year of the date on which the shares of the Company are listed on the stock exchange.

The directors, supervisors, and senior management of the Company shall declare, to the Company, the information on their holdings of the shares of the Company (including preferred shares, if any) and the changes thereto. The shares transferrable by them during each year of their term of office shall not exceed 25% of the total shares of the same class they hold in the Company. The shares that they hold in the Company shall not be transferred within one year of the date on which the shares of the Company are listed and traded. The aforesaid persons shall not transfer their shares of the Company within half a year from the date of their resignation.

Where relevant requirements of the securities regulatory authorities in the place where the Company's shares are listed contain any other provisions on the transfer restrictions of H Shares, such provisions shall prevail.

Where the Company's directors, supervisors, senior management or shareholders who hold 5% or more of the Company's shares sell the Company's shares or other securities with the nature of equity they hold within six months of the relevant purchase, or purchase any share they have sold within six months of the relevant sale, the proceeds generated therefrom shall be incorporated into the profits of the Company, and the Board of Directors of the Company shall recover the proceeds. However, the following circumstances shall be excluded where a securities company holds 5% or more of the shares of the Company due to its purchase of any remaining shares under best efforts underwriting or where the provisions of the CSRC and securities regulatory authorities in the place where the Company's shares are listed are applicable.

Shares or other securities with the nature of equity held by directors, supervisors, senior management and natural person shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, and held by them by using other people's accounts.

If the Board of Directors of the Company fails to comply with the first paragraph of this article, the shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the shareholders are entitled to initiate litigation directly in the people's court in their own names for the interest of the Company.

If the Board of Directors fails to implement the provisions set forth in the first paragraph of this article, the responsible directors shall bear joint and several liability in accordance with law.

REGISTER OF SHAREHOLDERS

The Company shall establish a register of shareholders in accordance with certificates from the share registrar. The register of shareholders shall be ample evidence of holding of the Company's shares by a shareholder. Shareholders shall enjoy rights and assume obligations according to the class of shares held by him/her; shareholders who hold existing shares of the same class shall enjoy the equal rights and assume the equal obligations.

Within 30 days prior to the convening of the general meeting or 5 days prior to the record date of which the Company decides to distribute dividends, the change of share register arising from share transfer shall not be registered.

When the Company convenes the general meeting, distributes dividends, conducts liquidation or engages in other acts requiring the identification of shareholders, the Board of Directors or the convener of the general meeting should determine the record date. The shareholders whose names appear on the register of shareholders after the trading hours on the record date shall be those entitled to the relevant rights and interests.

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Shareholders of the Company shall enjoy the following rights:

- (I) the right to receive dividends and other distributions in proportion to the number of shares held;
- (II) the right to request, convene, preside over, attend or appoint proxy(ies) to attend the general meeting and to exercise the corresponding right to vote according to law;
- (III) the right to supervise, present proposals or raise enquiries in respect of the Company's operations;
- (IV) the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations and the Articles of Association;
- (V) the right to inspect the Articles of Association, register of shareholders, corporate bond stubs, minutes of general meetings, resolutions of the Board of Directors, resolutions of the Supervisory Committee and financial and accounting reports;
- (VI) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of shares held;
- (VII) shareholders who object to resolutions of merger or division made by the general meeting may request the Company to purchase the shares they hold;

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

- (VIII) other rights provided for by laws, administrative regulations, departmental rules, the securities regulatory rules in the place where the Company's shares are listed or the Articles of Association.

Shareholders of the Company shall have the following obligations:

- (I) to abide by laws, administrative regulations, departmental rules, the securities regulatory rules in the place where the Company's shares are listed and the Articles of Association;
- (II) to pay the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;
- (III) not to return shares unless prescribed otherwise in laws and regulations;
- (IV) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to harm the interests of the Company's creditors;
- (V) to assume other obligations required by laws, administrative regulations, the securities regulatory rules in the place where the Company's shares are listed and the Articles of Association.

Any shareholder who abuses shareholders' rights and causes the Company or other shareholders to suffer a loss shall be liable for making compensation in accordance with law; any shareholder who abuses the status of the Company as an independent legal entity or the limited liability of shareholders to evade debts and causes severe harms to the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

The controlling shareholders and the actual controllers of the Company shall not use their connected relationship to act in detriment to the interests of the Company. If they violate such provision and caused losses to the Company, they shall be liable for compensation.

The controlling shareholders and the actual controllers of the Company shall have fiduciary duties towards the Company and public shareholders of the Company. The controlling shareholders shall exercise its rights as a contributor in strict compliance with the laws. The controlling shareholders shall not do harm the legitimate rights and interests of the Company and public shareholders by means of profit distribution, asset restructuring, external investment, fund appropriation, borrowing guarantees and connected transactions, and shall not make use of its controlling status against the interests of the Company and public shareholders.

GENERAL MEETING

General Provisions of the General Meetings

The general meeting is the organ of authority of the Company and shall exercise the following functions and powers:

- (I) to decide the operational policies and investment plans of the Company;
- (II) to elect and replace the directors and supervisors who are not employee representatives and to decide on the matters relating to the remuneration of directors and supervisors;
- (III) to consider and approve the reports of the Board of Directors;
- (IV) to consider and approve the reports of the Supervisory Committee;
- (V) to consider and approve the annual financial budgets and final accounts of the Company;
- (VI) to consider and approve the profit distribution plans and loss recovery plans of the Company;
- (VII) to make a resolution on the increase or decrease of the registered capital of the Company;
- (VIII) to make a resolution on the issuance of corporate bonds or other securities and listing plans;
- (IX) to make a resolution on the merger, division, dissolution, liquidation or change of corporate form of the Company;
- (X) to amend the Articles of Association;
- (XI) to make a resolution on the Company's engagement, dismissal or discontinuance of engagement of an accounting firm;
- (XII) to consider and approve the guarantees prescribed in Article 42 hereof;
- (XIII) to consider the purchase or sale of major assets of the Company in excess of 30% of the Company's latest audited total assets within one year;
- (XIV) to consider and approve changes in the use of proceeds;
- (XV) to consider the equity incentive plans and employee shareholding schemes;

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

(XVI) to consider other matters on which decisions shall be made by the general meeting as required by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The aforesaid functions and powers of the general meeting shall not be exercised by the Board of Directors or other bodies and individuals through any form of authorization.

The general meetings are classified into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within six months of the end of the previous accounting year.

In any of the following circumstances, the Board of Directors shall convene an extraordinary general meeting within two months from the date of the occurrence of the circumstance:

- (I) when the number of directors falls short of the number specified in the Company Law or is less than two-thirds of the number specified in the Articles of Association;
- (II) when the unrecovered losses of the Company amount to one-third of the total paid-up share capital;
- (III) when shareholders individually or jointly holding 10% or more of the outstanding shares of the Company with voting rights request in writing to convene an extraordinary general meeting (the number of the shares held is calculated based on the date that shareholders made such written request);
- (IV) when the Board of Directors deems it necessary;
- (V) when the Supervisory Committee proposes to hold such a meeting;
- (VI) other circumstances as stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Convening of General Meeting

Independent directors shall be entitled to submit a proposal to the Board of Directors on holding an extraordinary general meeting. For such a proposal, the Board of Directors shall give a written reply as to whether it agrees or disagrees to hold an extraordinary general meeting within 10 days upon receipt of the proposal in accordance with laws, administrative regulations, the Hong Kong Listing Rules and the Articles of Association.

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

Where the Board of Directors agrees to hold an extraordinary general meeting, a notice of the general meeting shall be given within five days after the resolution of the Board of Directors is made. Where the Board of Directors does not agree to hold such a meeting, its reasons shall be given and an announcement shall be made.

The Supervisory Committee shall be entitled to submit a proposal in writing to the Board of Directors on holding an extraordinary general meeting. The Board of Directors shall give a written reply as to whether it agrees or disagrees to hold an extraordinary general meeting within 10 days upon receipt of the proposal in accordance with laws, administrative regulations, the Hong Kong Listing Rules and the Articles of Association.

Where the Board of Directors agrees to hold an extraordinary general meeting, a notice of general meeting shall be given within five days after the resolution of the Board of Directors is made. Any change to the original proposal in the notice shall be subject to the approval from the Supervisory Committee.

Where the Board of Directors does not agree to hold an extraordinary general meeting or fails to give a reply within 10 days upon receipt of the proposal, it shall be deemed that the Board of Directors is unable or fails to perform its duty of convening a general meeting. In such case, the Supervisory Committee may convene and preside over the meeting on its own.

Shareholders who individually or together hold 10% or more of the shares of the Company shall have the right to request the Board of Directors to convene an extraordinary general meeting and such request shall be made to the Board of Directors in writing. The Board of Directors shall give a written reply as to whether it agrees or disagrees to hold an extraordinary general meeting within 10 days upon receipt of the request in accordance with laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Where the Board of Directors agrees to hold an extraordinary general meeting, it shall issue a notice of the general meeting within five days after the resolution was made. Any change to the original request in the notice shall be subject to the approval from the relevant shareholders.

Where the Board of Directors does not agree to hold an extraordinary general meeting or fails to give a reply within 10 days upon receipt of the request, shareholders who individually or together hold 10% or more of the shares of the Company shall have the right to submit a proposal to the Supervisory Committee on holding an extraordinary general meeting and such request shall be made to the Supervisory Committee in writing.

Where the Supervisory Committee agrees to hold an extraordinary general meeting, it shall issue a notice of general meeting within five days after receiving the request. Any changes to the original request in the notice shall be approved by the relevant shareholders.

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

Where the Supervisory Committee fails to give the notice of the general meeting within the specified time limit, it shall be deemed that the Supervisory Committee does not convene or preside over the meeting, in which case, shareholders who individually or together hold 10% or more of the shares of the Company for 90 or more consecutive days may convene and preside over the meeting on their own.

Proposals of General Meeting

When the Company convenes a general meeting, the Board of Directors, the Supervisory Committee and shareholders who individually or together hold 3% or more of the shares of the Company are entitled to put forward a proposal to the Company.

Shareholders individually or together holding 3% or more of the shares of the Company can put forward a temporary proposal 10 days before the general meeting is held and submit the proposal to the convener of the meeting in writing. The convener shall issue a supplemental notice within two days upon receiving such proposal and notify shareholders of the content of such proposal.

Except for the circumstances prescribed in the preceding paragraph, the convener shall not change the proposals specified in the notice of the general meeting or add new proposals after sending the notice of the general meeting.

The general meeting shall not vote or resolve on proposals not contained in the notice of the general meeting or not in compliance with the Articles of Association.

Notification of General Meeting

The convener shall notify each shareholder in the form of announcement 20 days prior to an annual general meeting and shall notify each shareholder in the form of announcement 15 days prior to an extraordinary general meeting.

For the purpose of calculating the starting date of the aforesaid “20 days” and “15 days”, the day on which the meeting is held shall be excluded, but including the day on which the notice is sent.

Holding of General Meeting

All shareholders whose names appear on the register of shareholders on the record date or their proxies are entitled to attend the general meeting and exercise their voting rights in accordance with relevant laws, regulations and the Articles of Association.

A shareholder may either attend the general meeting in person or appoint a proxy to attend and vote at such meeting on his/her behalf.

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

An individual shareholder who attends the meeting in person shall produce his/her own identification card or other valid documents or proof evidencing his/her identity. If a shareholder appoints a proxy to attend the meeting on his/her behalf, such proxy shall produce his/her own valid proof of identity and the power of attorney from the shareholder.

A corporate shareholder or other institutional shareholder shall attend the meeting by its legal representative/executive partner or proxy appointed by the legal representative/executive partner. Where the legal representative/executive partner attends the meeting, he/she shall produce his/her own identification card, valid certificates evidencing his/her capacity as the legal representative/executive partner. Where a proxy is appointed to attend the meeting, he/she shall produce his/her own identification card, the written power of attorney issued by the legal representative/executive partner of the corporate or institutional shareholder according to law.

If the shareholder is a recognized clearing house (or its nominee) as defined in the relevant ordinances enacted in Hong Kong from time to time, such shareholder may authorize one or more persons as he/she deems appropriate to act on his/her behalf at any general meetings; however, if more than one persons are thus authorized, the power of attorney shall specify the numbers and classes of shares in respect of which such persons are authorized, and signed by the authorized person of the recognized clearing house. The person(s) so authorized may attend the meeting and exercise the rights on behalf of the recognized clearing house (or its nominee) without producing certificates of shareholding, the notarized power of attorney and/or further evidence to prove that he/she has been duly authorized as if such person is an individual shareholder of the Company.

Resolution at the General Meeting

The resolutions of the general meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution shall be adopted by a simple majority of the votes held by the shareholders (including proxies of shareholders) attending the general meeting.

A special resolution shall be adopted by a two-thirds or more of the votes held by the shareholders (including proxies of shareholders) attending the general meeting.

The following matters shall be approved by the general meeting through ordinary resolutions:

- (I) work report of the Board of Directors and the Supervisory Committee;
- (II) the profit distribution plans and loss recovery plans drafted by the Board of Directors;
- (III) appointment or dismissal of the members of the Board of Directors and the Supervisory Committee, and their payment and payment methods;

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

- (IV) annual budget and final account plan of the Company;
- (V) annual report of the Company;
- (VI) to make a resolution on the Company's engagement, dismissal or discontinuance of engagement of an accounting firm or the remuneration of the accounting firm;
- (VII) other matters other than those approved by special resolution stipulated in the laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

The following matters shall be approved by special resolution at the general meeting:

- (I) the increase or reduction of the registered capital of the Company;
- (II) the division, spin-off, merger, dissolution and liquidation, suspension and change of corporate form of the Company;
- (III) the amendment to the Articles of Association;
- (IV) the decisions on the Company's operational policies and investment plans;
- (V) the purchases or sales of material assets by the Company within one year or the guarantee amount exceeding 30% of the latest audited total assets of the Company;
- (VI) the formulation, modification and implementation of the share incentive plan scheme;
- (VII) to make a resolution on the issuance of corporate bonds or other securities and listing plans;
- (VIII) other matters stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association, as well as other matters that the general meeting determines by ordinary resolution will have a significant impact on the Company and need to be passed by special resolution.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced by the general meeting and may further be removed from their office prior to the conclusion of the term thereof by the general meeting. Directors shall serve a term of three years for each session. A director shall be eligible for re-election and re-appointment upon the expiration of his/her term. Directors need not hold any shares of the Company.

The term of office of a director shall commence from the date on which the said director assumes office until the expiry of the term of office of the current session of the Board of Directors. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations, departmental rules and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office.

Board of Directors

The Board of Directors shall consist of nine directors, with one chairman. At all times, the Board of Directors shall have more than one-third independent directors, and the total number of independent directors shall not be less than three. At least one independent director shall have appropriate professional qualifications in line with regulatory requirements or be equipped with appropriate accounting or relevant financial management expertise. The term of office of an independent director shall not exceed nine years.

The Board of Directors shall exercise the following functions and powers:

- (I) to convene the general meeting and report to the general meeting;
- (II) to implement resolutions of the general meeting;
- (III) to decide on the Company's business plans (covering the Company and the subsidiaries controlled by it (hereinafter referred to as the "Group Companies")) and investment plans;
- (IV) to formulate the annual financial budgets (covering all Group Companies) and final accounts of the Company;
- (V) to formulate the Company's profit distribution plans and plans on making up losses;
- (VI) to formulate proposals for the increase or reduction of the registered capital, the issuance of shares, debentures or other securities of the Company and the listing plan of the Company;

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

- (VII) to formulate plans for the Company's major acquisition, repurchase of the shares of the Company, or merger, division, dissolution or change of corporate form of the Company;
- (VIII) to decide on matters such as investments, purchase and sale of assets, pledge of assets, external guarantee, entrustment of financial management, connected transactions and donations of the Company within the scope of authorization by the general meeting;
- (IX) to decide on establishment of internal management organs of the Company;
- (X) to decide on the appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other members of the senior management and decide on matters of their remuneration and rewards and punishments; according to the nomination of the general manager, decide to appoint or dismiss the Company's chief financial officer and other senior management, and decide on matters of their remuneration, rewards and punishments;
- (XI) to formulate the basic management system of the Company;
- (XII) to formulate proposals to amend the Articles of Association;
- (XIII) to manage the Company's information disclosures;
- (XIV) to propose to the general meeting the appointment or replacement of the accounting firm that provides audit service to the Company;
- (XV) to listen to the work report of the general manager of the Company and to inspect the work of the general manager;
- (XVI) To consider and approve the handling of the shares held by the domestic shareholders of the Company transferred to overseas investors, or the domestic shareholders of the Company are allowed to transfer their shares to overseas listed shares and list the said shares on overseas stock exchanges; and
- (XVII) other functions and powers provided for in laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Matters beyond the scope of authorization of the general meeting shall be submitted to the general meeting for deliberation.

If a director is associated with the enterprises that are involved in the matters to be resolved at a Board meeting, he/she shall not exercise his/her voting rights for such matters, nor shall exercise voting rights on behalf of other directors. Such Board meeting can be held if more than one half of the non-connected directors attend and the resolutions made by the Board meeting shall be passed by more than half of the non-connected directors. If less than three non-connected directors present at such meeting, relevant resolutions shall be submitted to the general meeting for consideration.

SENIOR MANAGEMENT

General Manager

The Company shall have one general manager, who shall be appointed or dismissed by the Board of Directors, and exercise the following functions and powers:

- (I) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;
- (II) to organize the implementation of the Company's annual business plans and investment plans;
- (III) to draft plans for the establishment of the Company's internal management organization;
- (IV) to draft the Company's basic management system;
- (V) to formulate the specific rules and regulations of the Company;
- (VI) to propose to the Board of Directors on the appointment or dismissal of chief financial officer of the Company;
- (VII) to decide on appointment or dismissal of management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (VIII) other functions and powers conferred by the Articles of Association or the Board of Directors.

The general manager may attend the meetings of the Board of Directors, but has no voting rights at the meetings if he/she is not a director of the Company.

Secretary to the Board of Directors

The Company shall have a secretary to the Board of Directors, who is responsible for preparing for the general meeting and the meetings of the Board of Directors, keeping documents and shareholders' materials and handling matters relating to information disclosure, etc.

The secretary to the Board of Directors shall abide by the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association. A director or other members of the senior management of the Company may also act as the secretary to the Board of Directors of the Company. An accountant of the accounting firm engaged by the Company shall not act concurrently as the secretary to the Board of Directors.

SUPERVISORY COMMITTEE

The Company shall have a Supervisory Committee. The Supervisory Committee consists of three supervisors and shall have one chairman. The chairman of the Supervisory Committee shall be elected by more than half of the supervisors. The chairman of the Supervisory Committee shall convene and preside over meetings of the Supervisory Committee. Where the chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, a supervisor recommended by half or more of the supervisors shall convene and preside over meetings of the Supervisory Committee.

The Supervisory Committee shall include shareholder representatives and an appropriate proportion of company employee representatives, of which the proportion of employee representatives shall not be less than one-third. Employee representatives on the Supervisory Committee shall be democratically elected and removed by employees through the employee representative congress, the employee congress, or any other means. The shareholder representatives in the Supervisory Committee shall be elected and removed by the general meeting.

The Supervisory Committee shall exercise the following functions and powers:

- (I) to review and give written opinions on the periodic reports of the Company prepared by the Board of Directors;
- (II) to examine the Company's financial matters;
- (III) to supervise the performance by the directors and senior management of their duties to the Company and propose the dismissal of the directors and senior management who violates laws, administrative regulations, the Articles of Association or the resolutions of the general meeting;
- (IV) to demand rectification from the directors and senior management when the acts of such persons are harmful to the Company's interests;
- (V) to propose the convening of extraordinary general meetings; to convene and preside the general meeting in the event that the Board of Directors fails to perform its duties to convene and preside the general meeting in accordance with the Company Law and the Articles of Association;
- (VI) to submit proposals to the general meeting;
- (VII) to file lawsuits against directors and senior management in accordance with Article 151 of the Company Law;

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

- (VIII) in case of any abnormal matters during the business operation of the Company, to investigate, and if necessary, to engage professionals such as accounting firms or law firms to assist its work with expenses being borne by the Company;
- (IX) other functions and powers provided for in the Articles of Association and conferred by the general meeting.

FINANCIAL AND ACCOUNTING SYSTEMS

The Company shall develop its financial and accounting systems pursuant to laws, administrative regulations and the requirements of the competent authorities of China. If the securities regulators of the place where shares of the Company are listed provide otherwise, such provisions shall prevail.

NOTICE

The notices of the Company may be sent out in the following manner:

- (I) by personal delivery;
- (II) by mail or fax;
- (III) by announcement;
- (IV) other means stipulated in the Articles of Association.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company may be dissolved for the following reasons:

- (I) the term of business operation as stipulated by the Articles of Association expires or other circumstances for dissolution as stipulated by the Articles of Association arise;
- (II) the general meeting resolves to dissolve the Company;
- (III) dissolution is necessary as a result of the merger or division of the Company;
- (IV) the business license is revoked or it is ordered to close down or it is deregistered according to law;
- (V) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding 10% or more of all shareholders' voting rights of the Company may petition a people's court to dissolve the Company.

APPENDIX VI SUMMARY OF THE ARTICLES OF ASSOCIATION

Where the Company is to be dissolved pursuant to items (I), (II), (IV) and (V) above of the Articles of Association, a liquidation committee shall be established within 15 days from the date when the event of dissolution occurs and commence the liquidation process. The liquidation committee shall be composed of directors or members determined by the general meeting. Where the Company fails to form a liquidation committee to liquidate the Company within the prescribed period of time, its creditors may petition the people's court to appoint the relevant persons to establish a liquidation committee and liquidate the Company.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association in any of the following circumstances:

- (I) after amendments are made to the Company Law, or relevant laws, administrative regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed, the Articles of Association run counter to the amended laws, administrative regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are listed;
- (II) the conditions of the Company have changed, and such change is not covered in the Articles of Association;
- (III) the general meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by the general meetings need the examination and approval of the competent authorities, these amendments shall be submitted thereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was established as a limited liability company in the PRC on July 28, 2000 and was converted into a joint stock limited company on December 29, 2015 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company was RMB200 million.

Our Company has established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on April 19, 2024 with the Registrar of Companies in Hong Kong. Ms. ZHANG Xiao, one of our joint company secretaries, has been appointed as our agent for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix VI — Summary of the Articles of Association". A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix V — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions."

2. Changes in Share Capital of Our Company

On July 28, 2000, our Company was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB500,000.

On March 21, 2024, the registered capital of our Company was increased from RMB60,000,000 to RMB200,000,000. As of the Latest Practicable Date, the registered share capital of our Company was RMB200 million divided into 200,000,000 shares with a nominal value of RMB1.00 each. Further, our Company expects to subdivide its Share from one Share of RMB1.0 each into two Shares of RMB0.50 each immediately prior to the Listing.

Save as disclosed above, the share capital of our Company did not change during the two years immediately preceding the date of this prospectus.

3. Changes in Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our principal subsidiaries as of the Latest Practicable Date are set out in Note 1 to "Appendix I — Accountants' Report".

The following subsidiaries have been incorporated within two years immediately preceding the date of this prospectus:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>	<u>Registered capital</u>
Hangzhou Keyunshi	PRC	August 18, 2022	RMB100,000,000
Light and Shadow Color	PRC	October 25, 2022	RMB1,000,000
Hangzhou Xingyi	PRC	December 29, 2022	RMB100,000,000
Hangzhou Baisheng	PRC	April 14, 2023	RMB5,000,000
Shanghai Diyue	PRC	March 31, 2023	RMB2,000,000
Chongqing Diyue	PRC	April 21, 2023	RMB2,000,000
Shenzhen Mao Geping Training Institute	PRC	November 14, 2023	RMB500,000
Hangzhou Shang Du Hui	PRC	January 2, 2024	RMB500,000,000
Shanghai Mao Geping Training Institute	PRC	June 20, 2024	RMB1,000,000

Save as disclosed above and in the Accountants' Report set out in Appendix I to this prospectus, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Resolutions of Our Shareholders

Pursuant to general meetings held on April 1, 2024, among other things, our Shareholders resolved that:

- (a) the issuance by our Company of the H Shares of nominal value of RMB0.50 each and such H Shares being listed on the main board of the Stock Exchange;
- (b) the number of H Shares to be issued shall not be more than 20% of the total issued share capital of our Company as enlarged by the Global Offering before the exercise of the Over-allotment Option, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

- (c) subject to the filing with CSRC is completed, upon completion of the Share Subdivision and the Global Offering, 171,655,400 Unlisted Shares will be converted into H Shares on a one-for-one basis;
- (d) authorization of the Board or its authorized individuals to handle all matters relating to, among other things, the Global Offering, the issue and the listing of H Shares on the Stock Exchange; and
- (e) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on the Listing Date.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (a) the cornerstone investment agreement dated November 28, 2024 entered into among Mao Geping Cosmetics Co., Ltd. (毛戈平化妝品股份有限公司) (“our Company”), CPE Investment XV Limited and China International Capital Corporation Hong Kong Securities Limited, with respect to a subscription of such number of H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US dollar 35 million (excluding brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of H Shares of our Company);
- (b) the cornerstone investment agreement dated November 28, 2024 entered into among our Company, Golden Valley Global Limited and China International Capital Corporation Hong Kong Securities Limited, with respect to a subscription of such number of H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US dollar 10 million (excluding brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of H Shares of our Company);
- (c) the cornerstone investment agreement dated November 28, 2024 entered into among our Company, Golden Valley Value Select Master Fund and China International Capital Corporation Hong Kong Securities Limited, with respect to a subscription of such number of H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US dollar 10 million (excluding brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of H Shares of our Company);

- (d) the cornerstone investment agreement dated November 28, 2024 entered into among our Company, Seraphim Advantage Inc., Advantage China Consumer Fund (ACCF Capital) and China International Capital Corporation Hong Kong Securities Limited, with respect to a subscription of such number of H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US dollar 15 million (excluding brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of H Shares of our Company);
- (e) the cornerstone investment agreement dated November 28, 2024 entered into among our Company, IvyRock Asset Management (HK) Limited (in its capacity as the discretionary investment/asset manager to Ivyrock China Focus Master Fund, IvyRock China Equity Master Fund and ABS Direct Equity Fund LLC, Asia Series 6) and China International Capital Corporation Hong Kong Securities Limited, with respect to a subscription of such number of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 10 million (excluding brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of H Shares of our Company);
- (f) the cornerstone investment agreement dated November 28, 2024 entered into among our Company, Brilliant Partners Fund LP, China Core Fund and China International Capital Corporation Hong Kong Securities Limited, with respect to a subscription of such number of H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US dollar 10 million (excluding brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of H Shares of our Company);
- (g) the cornerstone investment agreement dated November 28, 2024 entered into among our Company, Greater Bay Area Development Fund Management Limited (大灣區發展基金管理有限公司) for and on behalf of the managed account of Mega Prime Development Limited and China International Capital Corporation Hong Kong Securities Limited, with respect to a subscription of such number of H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US dollar 10 million (excluding brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of H Shares of our Company); and
- (h) the Hong Kong Underwriting Agreement.





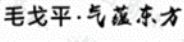









2. Intellectual Property Rights













(a) Trademarks

(i) Registered Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yyyy)
1. . . .		PRC	Our Company	21	68896969	13/08/2033
2. . . .		PRC	Our Company	3	68905981	13/09/2033
3. . . .		PRC	Our Company	3	64632123	06/05/2033
4. . . .		PRC	Our Company	3	64364982	27/12/2032
5. . . .		PRC	Our Company	21	64357906	13/11/2032
6. . . .		PRC	Our Company	21	63478280	13/12/2032
7. . . .		PRC	Our Company	35	63496086	20/11/2032
8. . . .		PRC	Our Company	21	62914127	20/09/2032
9. . . .		PRC	Our Company	3	62913671	27/08/2032
10. . .		PRC	Our Company	35	61654810	13/06/2032
11. . .		PRC	Our Company	35	60470844	13/07/2032
12. . .		PRC	Our Company	21	60440112	13/07/2032
13. . .		PRC	Our Company	3	60435431	06/05/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yyyy)
30. . .		PRC	Our Company	3	51081652	13/09/2031
31. . .		PRC	Our Company	35	44776103	13/02/2031
32. . .		PRC	Our Company	3	44776023	20/12/2032
33. . .		PRC	Our Company	21	44748605	20/11/2030
34. . .		PRC	Our Company	35	42603484	06/09/2030
35. . .		PRC	Our Company	3	39589908	06/03/2030
36. . .		PRC	Our Company	21	39603737	20/03/2030
37. . .		PRC	Our Company	41	39589534	27/03/2030
38. . .		PRC	Our Company	35	35752259	06/10/2029
39. . .		PRC	Our Company	35	35695539	27/11/2029
40. . .		PRC	Our Company	21	35688508	27/03/2030
41. . .		PRC	Our Company	35	35690058	06/04/2032
42. . .		PRC	Our Company	21	33771307	06/10/2029
43. . .		PRC	Our Company	3	33771307	06/10/2029

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yyyy)
44. . .		PRC	Our Company	3	33771307	06/10/2029
45. . .		PRC	Our Company	41	23695032	13/04/2028
46. . .		PRC	Our Company	3	23102026	06/03/2028
47. . .		PRC	Our Company	21	23101911	06/05/2028
48. . .		PRC	Our Company	3	21879272	27/12/2027
49. . .		PRC	Our Company	21	21879445	20/07/2028
50. . .		PRC	Our Company	3	19851846	19/07/2027
51. . .		PRC	Our Company	3	17044909	13/08/2026
52. . .		PRC	Our Company	21	17045283	13/08/2026
53. . .		PRC	Our Company	21	17045315	13/02/2027
54. . .		PRC	Our Company	21	72342325	13/03/2034
55. . .	MAOGEPING	Hong Kong	Our Company	3, 21	303993526	14/12/2026
56. . .		Hong Kong	Our Company	3, 21, 41	304135275	09/05/2027
57. . .	MAOGEPING BEAUTY	Hong Kong	Our Company	3, 21, 35	306229251	25/04/2033

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yyyy)
58. . .		Hong Kong	Our Company	3, 21, 41	306146370	05/01/2033
59. . .	毛戈平美妆教育	PRC	Our Company	41	77425284	06/09/2034
60. . .		PRC	Our Company	3	76802390	13/08/2034
61. . .		PRC	Our Company	4	76800853	06/08/2034

(ii) Trademarks Applications

As of the Latest Practicable Date, we had applied for registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Applicant	Class	Application Number	Application Date (dd/mm/yyyy)
1. . .	MAOGEPING LIGHT	Hong Kong	Our Company	3, 21	306426504	14/12/2023
2. . .		U.S.	Our Company	3, 21, 41	79371616	12/01/2023

(b) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright Type	Place of Registration	Copyright Owner	Registration Number	Registration Date (dd/mm/yyyy)
1. . .	LK	Artwork	PRC	Our Company	Guozuodengzi (國作登字)- 2023-F- 00206150	18/09/2023
2. . .	LK	Artwork	PRC	Our Company	Guozuodengzi (國作登字)- 2023-F- 00161163	01/08/2023
3. . .	LK	Artwork	PRC	Our Company	Guozuodengzi (國作登字)- 2023-F- 00151885	24/07/2023
4. . .	LK	Artwork	PRC	Our Company	Guozuodengzi (國作登字)- 2022-F- 10177607	26/08/2022
5. . .	LK	Artwork	PRC	Our Company	Guozuodengzi (國作登字)- 2021-F- 00283686	09/12/2021
6. . .	MGP	Artwork	PRC	Our Company	Guozuodengzi (國作登字)- 2020-F- 01185411	04/12/2020
7. . .	Flower shadow and gold (花影 浮金)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2023-F- 00018518	29/01/2023
8. . .	Lakeside Moonlight (秋 水皓月)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2022-F- 10147010	21/07/2022
9. . .	Legend of the dragon (龍的傳 人)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2022-F- 10147013	21/07/2022

No.	Copyright	Copyright Type	Place of Registration	Copyright Owner	Registration Number	Registration Date (dd/mm/yyyy)
10.	Glamour Glow (輝芒朝歌)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2022-F- 10147012	21/07/2022
11.	Cloud and tide (舒雲暮汐)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2022-F- 10147011	21/07/2022
12.	Light Lily (淺妝 蓮韻)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2022-F- 10147015	21/07/2022
13.	Fragrance and shadow (暗香 疏影)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2021-F- 00237323	15/10/2021
14.	MGP dragon totem (MGP龍 圖騰)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2021-F- 00237324	15/10/2021
15.	Calligraphy and bamboo (翰墨 賦竹)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2021-F- 00237321	15/10/2021
16.	Dancing crane (鶴宇翩躚)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2021-F- 00237322	15/10/2021
17.	Rippling wave (碧波瀲灩)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2021-F- 00006629	12/01/2021
18.	Feathery light (羽 燦流光)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2021-F- 00006630	12/01/2021
19.	Sweet youth (昭 華如嫣)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2020-F- 00011939	03/12/2020

No.	Copyright	Copyright Type	Place of Registration	Copyright Owner	Registration Number	Registration Date (dd/mm/yyyy)
20.	Green fragrance (典翠天香)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2020-F- 00011935	03/12/2020
21.	Cloud and light glittering (雲祥 鳳羽)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2020-F- 00011938	03/12/2020
22.	Golden phoenix fragrance (金鳳 添香)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2020-F- 00011937	03/12/2020
23.	Light glittering (鳳羽耀顏)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2020-F- 00011936	03/12/2020
24.	Shy flower (花朝 慕顏)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2019-F- 00958440	23/12/2019
25.	The Northern Lights (仙鶴極 光)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2019-F- 00957229	19/12/2019
26.	Loong pattern (龍 蘊金容)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2019-F- 00955326	16/12/2019
27.	Blue cloud wave (雲青水澹)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2019-F- 00955324	16/12/2019
28.	Pom pom strikes back (雙龍戲 珠)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2019-F- 00955325	16/12/2019
29.	Magnolia spring (玉蘭望春)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2019-F- 00778607	09/05/2019

No.	Copyright	Copyright Type	Place of Registration	Copyright Owner	Registration Number	Registration Date (dd/mm/yyyy)
30.	Jade cloud series (玉石雲煙系列)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2019-F- 00778606	09/05/2019
31.	Jade-like Case (玉韻紅盤)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2019-F- 00778605	09/05/2019
32.	Jade gold (玉琢 金)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2019-F- 00778604	09/05/2019
33.	West journey spirit series (西 遊有靈系列)	Artwork	PRC	Hangzhou Diyue	Guozuodengzi (國作登字)- 2021-F- 00076234	02/04/2021
34.	Peony Pavilion (遊園驚夢)	Artwork	PRC	Hangzhou Diyue	Guozuodengzi (國作登字)- 2020-F- 01002551	19/03/2020
35.	Brilliant aura promotional artwork (盛彩 耀光裝飾畫)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2024-F- 00160176	12/06/2024
36.	Splendid aura artistry eye & cheek palette (盛彩之光藝術 眼彩盤)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2024-F- 00160177	12/06/2024
37.	Splendid aura goddess eye palette (盛彩之 光女神眼彩盤)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2024-F- 00136142	22/05/2024
38.	Splendid aura auspicious dragon radiance pressed powder (盛彩之光瑞龍 凝採粉餅)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2024-F- 00136143	22/05/2024
39.	Splendid aura luminous highlighting powder (盛彩之 光耀顏高光粉 餅)	Artwork	PRC	Mao Geping Technology	Guozuodengzi (國作登字)- 2024-F- 00136141	22/05/2024

(c) *Patents*

As of the Latest Practicable Date, we had registered the following patents which we considered to be or may be material to our business:

No.	Patent Name	Type	Patentee	Place of Registration	Patent Number	Grant Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
1.	A warm water removable eye-thread powder and its preparation process (一種溫水可卸的眼線粉塊及其製備工藝)	Invention patent	Mao Geping Technology	PRC	ZL202210645684.5	06/06/2023	09/06/2042
2.	A long-lasting moisturizer of lipstick and its preparation process (一種持久滋潤口紅及其製備工藝)	Invention patent	Mao Geping Technology	PRC	ZL202110789287.0	18/02/2022	13/07/2041
3.	A drawer-type packaging box for makeup brushes (一種化妝刷抽屜式包裝盒)	Utility model patent	Mao Geping Technology	PRC	ZL202320885819.5	26/09/2023	19/04/2033
4.	A dispenser for the body of cosmetic emulsion material (一種化妝品乳液類料體分配器)	Utility model patent	Mao Geping Technology	PRC	ZL202222480317.2	09/12/2022	20/09/2032
5.	An internal anti-counterfeiting structure for dark transparent crystal glass containers (一種用於深色透明水晶玻璃容器的內在防偽結構)	Utility model patent	Mao Geping Technology	PRC	ZL202122680324.2	22/07/2022	04/11/2031
6.	A new type of eyelash brush (一種新型睫毛刷)	Utility model patent	Hangzhou Diyue	PRC	ZL201922060697.2	18/09/2020	26/11/2029
7.	Table (桌子)	Design patent	Our Company	PRC	ZL202030456462.0	23/07/2021	12/08/2035
8.	Brush cabinet (筆刷櫃)	Design patent	Our Company	PRC	ZL202030456319.1	18/05/2021	12/08/2035
9.	Display cabinets (Makeup) (陳列櫃(彩妝))	Design patent	Our Company	PRC	ZL202030456318.7	30/04/2021	12/08/2035
10.	Skincare showroom (護膚陳列吧)	Design patent	Our Company	PRC	ZL202030456463.5	13/04/2021	12/08/2035
11.	Operator table (Double Sided 1) (操作台(雙人雙面1))	Design patent	Our Company	PRC	ZL202030456311.5	12/03/2021	12/08/2035
12.	Skincare selection table (護膚自選台)	Design patent	Our Company	PRC	ZL202030456310.0	12/03/2021	12/08/2035
13.	Operator table (Double Sided 2) (操作台(雙人雙面2))	Design patent	Our Company	PRC	ZL202030456461.6	09/03/2021	12/08/2035
14.	Stool (凳子)	Design patent	Our Company	PRC	ZL202030456313.4	09/03/2021	12/08/2035
15.	Lockers (儲物櫃)	Design patent	Our Company	PRC	ZL202030456460.1	09/03/2021	12/08/2035
16.	Lip gloss bottle (唇釉瓶) (23MGP01)	Design patent	Mao Geping Technology	PRC	ZL202330122624.0	14/07/2023	16/03/2038

No.	Patent Name	Type	Patentee	Place of Registration	Patent Number	Grant Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
17..	Cosmetic case (化妝箱) (22MGP10)	Design patent	Mao Geping Technology	PRC	ZL202230807595.7	03/03/2023	02/12/2037
18..	Lipstick packaging bottle (口紅包裝瓶) (22MGP08)	Design patent	Mao Geping Technology	PRC	ZL202230602388.8	27/12/2022	13/09/2037
19..	Skincare packaging bottle (護膚包裝瓶) (22MGP07)	Design patent	Mao Geping Technology	PRC	ZL202230602371.2	20/12/2022	13/09/2037
20..	Mascara bottle (睫毛膏包裝瓶) (22MGP09)	Design patent	Mao Geping Technology	PRC	ZL202230602593.4	16/12/2022	13/09/2037
21..	Skincare packaging bottles (護膚品包裝瓶) (22MGP01)	Design patent	Mao Geping Technology	PRC	ZL202230251607.2	26/08/2022	29/04/2037
22..	Skincare Packaging Bottles (護膚品包裝瓶) (22MGP02)	Design patent	Mao Geping Technology	PRC	ZL202230251573.7	26/08/2022	29/04/2037
23..	Skincare Packaging Bottles (護膚品包裝瓶) (22MGP06)	Design patent	Mao Geping Technology	PRC	ZL202230251613.8	26/08/2022	29/04/2037
24..	Skincare packaging bottles (護膚品包裝瓶) (22MGP03)	Design patent	Mao Geping Technology	PRC	ZL202230251590.0	26/08/2022	29/04/2037
25..	Makeup box (彩妝包裝盒) (20MGP04)	Design patent	Mao Geping Technology	PRC	ZL202230263403.0	19/08/2022	07/05/2037
26..	Make-up packaging bottle (彩妝包裝瓶) (22MGP05)	Design patent	Mao Geping Technology	PRC	ZL202230251266.9	12/08/2022	29/04/2037
27..	Make-up brush (化妝刷)	Design patent	Mao Geping Technology	PRC	ZL202130644060.8	28/01/2022	28/09/2036
28..	Make-up box (化妝盒)	Design patent	Mao Geping Technology	PRC	ZL202130644066.5	21/01/2022	28/09/2036
29..	Vanity water Bottle (化妝水瓶) (20MGP03)	Design patent	Mao Geping Technology	PRC	ZL202030658995.7	04/05/2021	03/11/2035
30..	Make-up brush (化妝刷) (20MGP06)	Design patent	Mao Geping Technology	PRC	ZL202030717956.X	30/04/2021	25/11/2035
31..	Cosmetic packaging bottles (化妝品包裝瓶) (20MGP04)	Design patent	Mao Geping Technology	PRC	ZL202030659001.3	20/04/2021	03/11/2035
32..	Cream bottle (膏霜瓶) (20MGP01)	Design patent	Mao Geping Technology	PRC	ZL202030658990.4	02/04/2021	03/11/2035
33..	Lipstick container (口紅容器) (20MGP05)	Design patent	Mao Geping Technology	PRC	ZL202030659167.5	02/04/2021	03/11/2035
34..	Perfume bottle container (香水瓶容器) (20MGP02)	Design patent	Mao Geping Technology	PRC	ZL202030659168.X	19/03/2021	03/11/2035
35..	Loose powder box (2) (散粉盒) (2)	Design patent	Mao Geping Technology	PRC	ZL201930456238.9	09/06/2020	21/08/2034
36..	Loose powder box (1) (散粉 盒)(1)	Design patent	Mao Geping Technology	PRC	ZL201930455712.6	21/04/2020	21/08/2034
37..	Powder bottle (粉底液瓶)	Design patent	Mao Geping Technology	PRC	ZL201930455717.9	14/02/2020	21/08/2034
38..	Mascara bottle (睫毛膏瓶)	Design patent	Mao Geping Technology	PRC	ZL201930456223.2	24/01/2020	21/08/2034
39..	Lipstick bottle (口紅瓶)	Design patent	Mao Geping Technology	PRC	ZL201930456243.X	24/01/2020	21/08/2034

No.	Patent Name	Type	Patentee	Place of Registration	Patent Number	Grant Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
40..	Eye shadow box (眼影盒)	Design patent	Mao Geping Technology	PRC	ZL201930455708.X	10/01/2020	21/08/2034
41..	Make-up bottle (化妝瓶) (30ml)	Design patent	Mao Geping Technology	PRC	ZL201930077288.6	31/05/2019	26/02/2034
42..	Make-up bottle (化妝瓶) (130ml)	Design patent	Mao Geping Technology	PRC	ZL201930076993.4	28/05/2019	26/02/2034
43..	Make-up bottle (化妝瓶) (50ml)	Design patent	Mao Geping Technology	PRC	ZL201930077003.9	28/05/2019	26/02/2034
44..	Eye shadow disc (眼影盤)	Design patent	Hangzhou Diyue	PRC	ZL202130066892.6	27/07/2021	29/01/2036
45..	Lip stain (唇釉)	Design patent	Hangzhou Diyue	PRC	ZL202130066895.X	23/07/2021	29/01/2036
46..	Blush (腮紅)	Design patent	Hangzhou Diyue	PRC	ZL202130066543.4	23/07/2021	29/01/2036
47..	Blush packaging box (Peony Pavilion) (腮紅包裝盒(遊園驚夢))	Design patent	Hangzhou Diyue	PRC	ZL201930645035.4	18/09/2020	22/11/2034
48..	Eye shadow packaging box (Peony Pavilion) (眼影包裝盒(遊園驚夢))	Design patent	Hangzhou Diyue	PRC	ZL201930645056.6	18/09/2020	22/11/2034
49..	Lipstick tube (唇膏管)	Design patent	Mao Geping Technology	PRC	ZL202330710679.3	26/07/2024	01/11/2038

(d) Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Place of Registration	Expiry Date (dd/mm/yyyy)
1. .	maogeping.com	Our Company	PRC	29/10/2033
2. .	maogepin.com	Our Company	PRC	03/02/2025
3. .	maogepin.cn	Our Company	PRC	09/10/2030
4. .	maogepingbeauty.com	Our Company	PRC	09/12/2026
5. .	maogp.com	Mao Geping Image design	PRC	09/01/2027
6. .	shmaogp.com	Mao Geping Image design	PRC	19/11/2026
7. .	hzmaogp.com	Mao Geping Image design	PRC	19/11/2026
8. .	mgpdy.cn	Hangzhou Diyue	PRC	30/08/2032
9. .	loveforkeeps.com.cn	Hangzhou Love Keeps	PRC	30/12/2026
10..	lovekeeps.com	Hangzhou Love Keeps	PRC	21/09/2025

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company

Save as disclosed below, immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(a) Interests in our Company

Name of Director, Supervisor or chief executive	Position	Nature of Interest ⁽¹⁾	Number of Unlisted/H Shares	Approximate percentage of shareholding in the total issued Shares immediately prior to the Global Offering	Approximate percentage of shareholding in the total issued Shares immediately after the Global Offering ⁽²⁾	Approximate percentage of shareholding in Unlisted/H Shares immediately after the Global Offering ⁽²⁾
Mr. Mao . . .	Founder, chairman of the Board and executive Director	Beneficial owner, and interest of spouse ⁽³⁾	143,236,800 Unlisted Shares	35.81%	30.44%	62.73%
		Beneficial owner, interest in controlled corporation and interest of spouse ⁽³⁾	85,818,400 H Shares	21.45%	18.24%	35.43%
Ms. Wang . . .	Executive Director and vice chairperson of the Board	Beneficial owner, and interest of spouse ⁽⁴⁾	143,236,800 Unlisted Shares	35.81%	30.44%	62.73%
		Beneficial owner, interest in controlled corporation and interest of spouse ⁽⁴⁾	85,818,400 H Shares	21.45%	18.24%	35.43%

Name of Director, Supervisor or chief executive	Position	Nature of Interest ⁽¹⁾	Number of Unlisted/H Shares	Approximate percentage of shareholding in the total issued Shares immediately prior to the Global Offering	Approximate percentage of shareholding in the total issued Shares immediately after the Global Offering ⁽²⁾	Approximate percentage of shareholding in Unlisted/H Shares immediately after the Global Offering ⁽²⁾
Ms. MAO Niping (毛霓萍)	Executive Director, vice chairperson of the Board and senior vice president	Beneficial owner	29,556,800	7.39%	5.31%	12.94%
			Unlisted Shares			
Ms. MAO Huiping (毛慧萍)	Executive Director and senior vice president	Beneficial owner	15,818,400	3.95%	3.36%	6.53%
			H Shares			
Ms. MAO Huiping (毛慧萍)	Executive Director and senior vice president	Beneficial owner	25,009,600	6.25%	6.28%	10.95%
			Unlisted Shares			
Mr. WANG Lihua (汪立華)	Executive Director and vice president	Beneficial owner	13,384,800	3.35%	2.84%	5.53%
			H Shares			
Mr. WANG Lihua (汪立華)	Executive Director and vice president	Beneficial owner	15,915,200	3.98%	3.38%	6.97%
			Unlisted Shares			
Ms. SONG Hongquan (宋虹全)	Executive Director, president and general manager of “MAOGEPING” branding division	Beneficial owner	8,517,600	2.13%	1.81%	3.52%
			H Shares			
Ms. SONG Hongquan (宋虹全)	Executive Director, president and general manager of “MAOGEPING” branding division	Beneficial owner	10,231,200	2.56%	2.17%	4.48%
			Unlisted Shares			
Ms. SONG Hongquan (宋虹全)	Executive Director, president and general manager of “MAOGEPING” branding division	Beneficial owner	10,711,200	2.68%	2.28%	4.42%
			H Shares			

Notes:

- (1) All interests stated are long position. The number of Shares were presented based on the assumption that the Share Subdivision is completed.
- (2) The calculation is based on the total number of 228,344,600 Unlisted Shares in issue, 171,655,400 H Shares to be converted from Unlisted Shares in issue and 70,588,200 H Shares to be issued pursuant to the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised).
- (3) Upon completion of the Conversion of Unlisted Shares into H Shares and the Global Offering, Mr. Mao was deemed to be interested in:
 - (a) a total of 143,236,800 Unlisted Shares comprising (i) 113,680,000 Unlisted Shares held directly by Mr. Mao; and (ii) 29,556,800 Unlisted Shares held directly by Ms. Wang, the spouse of Mr. Mao; and
 - (b) a total of 85,818,400 H Shares comprising (i) 60,840,000 H Shares held directly by Mr. Mao; (ii) 15,818,400 H Shares directly held or controlled by Ms. Wang, the spouse of Mr. Mao; (iii) 2,200,000 H Shares held by Dijing Investment; and (iv) 6,960,000 H Shares held directly by Jiachi Investment.

Dijing Investment was controlled by its general and executive partner, Mr. Mao, as to 10% and its limited partner, Ms. Wang, as to 35.45%. As such, Mr. Mao was deemed to be interested in the Shares of our Company held by Dijing Investment.

- (4) Upon completion of the Conversion of Unlisted Shares into H Shares and the Global Offering, Ms. Wang was deemed to be interested in:
- (a) a total of 143,236,800 Unlisted Shares comprising (i) 29,556,800 Unlisted Shares held directly by Ms. Wang; and (ii) 113,680,000 Unlisted Shares held directly by Mr. Mao, the spouse of Ms. Wang; and
- (b) a total of 85,818,400 H Shares comprising (i) 15,818,400 H Shares held directly by Ms. Wang; (ii) 60,840,000 H Shares held directly by Mr. Mao, the spouse of Ms. Wang; (iii) 2,200,000 H Shares directly held by Dijing Investment; and (iv) 6,960,000 H Shares directly held by Jiachi Investment.

Dijing Investment was controlled by its general and executive partner, Mr. Mao, as to 10% and its limited partner, Ms. Wang, as to 35.45%. As such, Ms. Wang was deemed to be interested in the Shares of our Company held by Dijing Investment. Further, Jiachi Investment was held by Ms. Wang, Mr. DONG Leqin, Ms. MAO Niping and Ms. MAO Huiping as to 30.4598%, 8.6208%, 30.4598% and 30.4598%, respectively, with Ms. Wang and Mr. DONG Leqin acting as joint general partners while Ms. Wang shall have the casting vote and decision-making power in the general partner arrangement. As such, Ms. Wang was deemed to be interested in the Shares of our Company held by Jiachi Investment.

(b) *Interest in associated corporations*

Name	Position in our Group	Nature of Interest ⁽¹⁾	Name of associated corporation	Approximate percentage of shareholding in associated corporation
Mr. Mao	Founder, chairman of the Board and executive Director	Beneficial owner	Beijing Mao Geping Training Institute	1.00%
Ms. Wang . . .	Executive Director and vice chairperson of the Board	Interest of spouse	Beijing Mao Geping Training Institute	1.00%

Save as disclosed above, none of the Directors, Supervisors or the chief executive of the Company will, immediately following completion of the Global Offering, has any interests and/or short positions in the Shares, underlying Shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

2. Disclosure of Interests of Substantial Shareholders

(a) *Interests in our Company*

For the information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, see “Substantial Shareholders” in this prospectus.

(b) *Interests of the Substantial Shareholders of Other Members of Our Group*

As of the Latest Practicable Date, so far as our Directors are aware, the following persons (other than our Directors, Supervisors or chief executive of our Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of our Group:

Name of Members of our Group	Name of Shareholder(s)	Percentage of Shareholding
1. . . Light and Shadow Color	Hangzhou Yifan Network Technology Co., Ltd. (杭州億梵網絡科技有限公司)	33%

3. Service Contracts

We have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director’s and Supervisors’ Remuneration

Save as disclosed in the section headed “Directors, Supervisors and Senior Management” and Note 8 to “Appendix I — Accountants’ Report” for the three financial years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

5. Disclaimers

Saved as disclosed in this prospectus:

- (a) none of our Directors, Supervisors or any of the parties listed in “— E. Other Information — 5. Qualification of Experts” below is:
 - (i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
 - (ii) materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in “— E. Other Information — 5. Qualification of Experts” below:
 - (i) is interested legally or beneficially in any shares in any member of our Group;
or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and
- (d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. EMPLOYEE INCENTIVE SCHEME

Background

Our Company has adopted the Employee Incentive Scheme (the “**Employee Incentive Scheme**”) to effectively align the interests of Shareholders, the Company and employees, for long-term development of the Company. The Employee Incentive Scheme was adopted by a resolution of our Shareholders on April 1, 2024. The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any grant of share options or awards by our Company or any issuance of new Shares by our Company after the Listing.

Administration

Our Shareholders' general meeting or organization required or authorized under the Articles of Association are responsible for reviewing and approving the Employee Incentive Scheme, including its amendment and termination. Our Board is responsible for drafting and implementation of the Employee Incentive Scheme, including the grant, vesting, unlocking, withdrawal and disposal restrictions of the awards ("**Awards**"), determination of the eligible participants and grantees ("**Participants**"), and the amendment or adjustment of aforementioned implementation details. Our Board secretariat is responsible for assisting with the implementation of the Employee Incentive Scheme.

Effectiveness and Duration

The Employee Incentive Scheme shall be valid and effective commencing from its adoption date, being April 1, 2024, and subject to termination by our Company in accordance with the terms and conditions of the Employee Incentive Scheme.

Source and Number of Shares

The Shares underlying the Awards granted under the Employee Incentive Scheme are held by Dijing Investment, which is one of our Controlling Shareholders holding approximately 0.55% interest in our Company as of the Latest Practicable Date. Upon the grant of Awards, the Participants shall hold partnership interests in Dijing Investment as its limited partners to reflect their respective Awards.

The number of Shares underlying the Awards held by the Dijing Investment under the Employee Incentive Scheme is 600,000 Shares of the Company with par value of RMB1.0 before the completion of the Share Subdivision (equivalent to 1,200,000 Shares after completion of the Share Subdivision), representing approximately 0.30% of the aggregate amount of the Shares in issue immediately before the completion of the Share Subdivision and the Global Offering or approximately 0.26% of the aggregate amount of the Shares in issue immediately upon the completion of the Share Subdivision and the Global Offering assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. In the event of the capital increase, share subdivision or reduction of capital of the Company, corresponding alterations (if any) shall be made to the number of Shares underlying the Awards so far as the Awards are unvested (without fractional entitlements).

Vesting, unlocking and withdrawal of Awards

The Participants shall comply with the terms and conditions of the Employee Incentive Scheme and the applicable rules, laws and regulations with respect to vesting, unlocking and withdrawal of the Awards. In addition, the Board secretariat may make adjustment to the vesting, unlocking and/or withdrawal arrangements of the Awards, which shall be set out in, and implemented in accordance with, the grant letters executed between the Company and the Participants.

Transferability

The Awards are personal to the Participants. The Participants shall comply with the applicable rules, laws and regulations with respect to any disposal of the Shares underlying the Awards vested under the Employee Incentive Scheme.

Details of the Awards Granted

As of the Latest Practicable Date, a total of four Participants had been granted with Awards under the Employee Incentive Scheme, and the aggregate number of Shares underlying the Awards granted to such four Participants in accordance of the Employee Incentive Scheme was 600,000 Shares of the Company with par value of RMB1.0 before the completion of the Share Subdivision (equivalent to 1,200,000 Shares after completion of the Share Subdivision), representing approximately 0.30% of the aggregate amount of the Shares in issue immediately before the completion of the Share Subdivision and the Global Offering or approximately 0.26% of the aggregate amount of the Shares in issue immediately upon the completion of the Share Subdivision and the Global Offering assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. As of the Latest Practicable Date, the four Participants were our employees and management members of our Group, among whom three of them were Independent Third Parties and one of them was a former Director who had ceased to be a Director within 12 months. To reflect the Awards to the Participants, as of the Latest Practicable Date, the Participants in aggregate held 54.55% interest in Dijing Investment as limited partners.

Save as disclosed above, no other Shares held by Dijing Investment and/or partnership interest of Dijing Investment are reserved for the purpose of granting of Awards to other participants under the Employee Incentive Scheme.

E. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiaries.

2. Litigation

To the knowledge of our Directors, no member of our Group has significant litigation or claims pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and (ii) the H Shares to be converted from our existing Unlisted Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of US\$1,000,000 for acting as the sponsor for the Listing.

4. Preliminary Expenses

As of Latest Practicable Date, our Company did not incur any preliminary expenses of the Global Offering.

5. Qualification of Experts

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Jingtian & Gongcheng	Qualified PRC lawyers
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

6. Consents of Experts

Each of the experts referred to in “5. Qualification of Experts” above in this Appendix has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

Save as disclosed in this prospectus, none of the experts named above has any of our shareholding interests in any member of our Group or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities in any member of our Group.

7. Compliance Advisor

We have appointed Rainbow Capital (HK) Limited as our Compliance Advisor upon the Listing in compliance with Rule 3A.19 of the Listing Rules.

8. Taxation of Holders of H Shares

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

9. No Material Adverse Change

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial position or prospects since June 30, 2024.

10. Binding Effect

This prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) there are no arrangements under which future dividends are waived or agreed to be waived;
- (e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (h) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Stock Exchange is currently being or agreed to be sought; and
- (i) our Company has no outstanding convertible debt securities or debentures.

12. Restrictions on Share Buy-back

For details, see the sections headed “Appendix V — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions” and “Appendix VI — Summary of the Articles of Association” in this prospectus.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Promoters

The promoters of our Company comprised all of the ten then shareholders of our Company as at December 16, 2015 before our conversion into a joint stock limited liability company. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in “Appendix VII — Statutory and General Information — E. Other Information — 6. Consents of Experts”; and
- (b) a copy of each of the material contracts referred to in “Appendix VII — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts”.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.maogeping.com during a period of 14 days from the date of this prospectus:

- 1. the Articles of Association;
- 2. the Accountants’ Report of our Group from Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- 3. the audited consolidated financial statements of our Group for the three financial years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024;
- 4. the report on the unaudited pro forma financial information of our Group from Ernst & Young, the text of which is set forth in Appendix II to this prospectus;
- 5. the material contracts in “Appendix VII — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts”;
- 6. the written consents referred to in “Appendix VII — Statutory and General Information — E. Other Information — 6. Consents of Experts”;
- 7. the service contracts referred to in “Appendix VII — Statutory and General Information — C. Further Information about our Directors, Supervisors and Substantial Shareholders — 3. Service Contracts”;
- 8. the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

9. the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview” in this prospectus;
10. the letter and valuation certificate in relation to the property interest of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this prospectus; and
11. the PRC Company Law, the PRC Securities Law, the Trial Measures, together with their respective unofficial English translations.

MD
G